Eurobond market faces sour taste of success, Page 18

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,111 Tuesday December 16 1986 D 8523 B

World news

UK Tories told not to oppose Awacs

The British Government acted to rally Tory backbench opinion behind its expected announcement on Thursday that Britain will buy Awacs aircraft from Boeing of the US rather than GEC's Nimrod system.

Several Conservative MPs who have signed a House of Commons motion were summoned individually by party whips (stewards) and warned of the dangers of rocking the boat at such a sensitive pre-election time.

A whips' message was "We're ahead in the opinion polls and have got Labour on the run. Don't ruin it." Page 9

CIA chief ill

Mr William Casey, director of the US Central Intelligence Agency, was rushed to hospital following what was described by a spokesman at Georgetown University Hospital as "minor cerebral seizure."

Mr Casey is one of the key figures at the centre of the Iran arms deal affair and was scheduled to testify today before the Senate Intelligence Committee, his third appearance in less than a week on Capitol Hill.

Car bomb killing

A motor mechanic was killed at Provins, east of Paris, by a car bomb intended for the town's major, former justice minister Alain Peyrefitte. Page 3

Ambassador resigns

Ethiopia's ambassador to Sweden, former defence and interior minister Taye Telahun said he was giving up his job and would not be returning home because of the repressive and intolerant policies of his country's Marxist government.

Hanoi changes

Vietnamese leaders unleashed a barrage of self-criticism at their national party congress in Hanoi, saying it was time to "purify" the government because of serious failures. Resignations are expected as well as reforms. Page 29

UK case 'baloney'

An Australian judge hearing Britain's lengthy legal battle to suppress a former MI 5 agent's memoirs said the UK government was talking "baloney" in its concern over publication. He has frequently criticised London's attitude during the hearing. Page 4

Moscow signs treaty

The Soviet Union, whose efforts to expand its influence in the South Pacific are causing Western concern, became the first of the nuclear powers to sign the region's new nuclear-free zone treaty.

Bokassa on trial

Former Emperor Bokassa repeatedly denied ordering executions or torture when his trial on charges ranging from mass murder to embezzlement opened at Bangui, Central African Republic. But he admitted: "I am not a saint ... people got killed when they plotted against me."

Death explained

The widow of Soviet dissident Anatoly Marchenko, who died last week, said she believes he starved to death in jail after waging a four-month hunger strike. Officials had given her conflicting explanations.

Poles defect

Eleven Poles defected during a Munich bus tour. Some 318 Polish tourists have now remained behind while visiting Bavaria this year. The five women and six men are expected to seek political asylum.

Protest at Murdoch

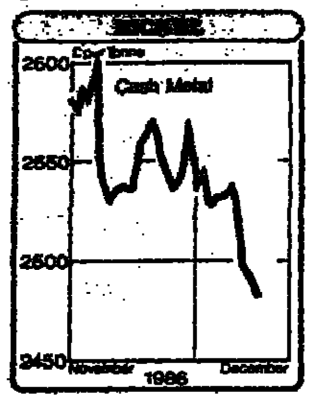
Australian Press Council chairman Hal Wootten resigned over its refusal to oppose the Rupert Murdoch takeover bid for the Melbourne Herald group. Page 4

Business summary

ECGD in $2bn debt-swap move

BRITAIN's Export Credits Guarantee Department has completed a $2bn debt-swap programme in the international capital markets that should substantially reduce the cost of providing subsidised finance in support of UK exports. Page 21

NICKEL fell for the fifth successive trading session on the London Metal Exchange. The cash price ended £10 lower at £2,482.50 a tonne. Page 38



WALL STREET: The Dow Jones industrial average closed up 10.55 at 1,922.81. Page 46

LONDON: Heavy demand for British Gas inspired early gains but sentiment soured slightly in line with falls on Wall Street. The FT SE-100 index finished 7.2 higher at 1,637.0 and the FT Ordinary dipped 0.1 to 1,280.3. The gilt market waited in vain for some signs of progress from the Opec meeting. Page 46

TOKYO: Concern over high price levels and a possible cut in crude oil production by Opec pushed shares lower. The Nikkei average fell 41.70 to 18,783.94. Page 46

GOLD rose $4 to $394.25 on the London bullion market. It also rose in Zurich to $395.25 ($391.45). In New York the Comex February settlement was $398.40 Page 38

DOLLAR closed in New York at DM 2.0185; SFr 1.6975; FFr 6.6685 and Y163.40. It rose in London to DM 2.0180 (DM 2.0165). It also rose to FFr 6.6125 (FFr 6.61); to SFr 1.7000 (SFr 1.6975); to Y163.25 (Y163.00). On Bank of England figures the dollar's index fell to 111.0 from 111.3. Page 39

STERLING closed in New York at $1.4325. It closed in London at $1.4326 ($1.4275). It also rose to DM 2.89 (DM 2.8775); to FFr 9.4725 (FFr 9.4350); to SFr 2.4350 (SFr 2.4225); to Y233.75 (Y232.50). The pound's exchange rate index rose 0.1 to 68.8. Page 39

DUTCH Central Bank president Wim Duisenberg, speaking in Brussels, urged the UK to bring the pound into the exchange rate mechanism of the European Monetary System. Page 3

EEC Foreign Ministers, in Brussels, rejected US calls for compensation for the loss of grain sales in Spain which followed Spanish entry into the Common Market. Farm price talks, Page 38

NOKIA and Valmet, leading Finnish metal and engineering groups, plan to merge their respective arms and ammunition divisions. The new company will have a combined turnover of about FM 200m ($40m). Page 21

ELDERS Resources, the energy affiliate of John Elliott's Elders IXL, launched a full market bid for TMOC Resources, Queensland oil and gas producer formerly known as Moonie Oil. Page 22

WAH KWONG, one of Hong Kong's largest shipping groups, has again seen attempts to rescue it put in jeopardy as efforts to win agreement from two Japanese creditors have floundered over the issue of export insurance cover. Page 22

CARLTON Communications of the UK kept its place as largest European operator of television production facilities in the year to September 30. Taxable profits climbed to £18.81m ($26.22m). Lex, Page 20; Details, Page 26

Airlines to face legal action as EEC talks fail

BY TIM DICKSON IN BRUSSELS

THE EEC's legal action against European airlines is likely to be stepped up in the next few weeks after Community transport ministers failed to agree a key package of airline liberalisation measures at their meeting in Brussels yesterday.

European Commission officials made clear last night that they were disappointed by the lack of "significant" political progress and indicated that they intend to pursue their legal proceedings against airlines begun earlier this year. This could ultimately lead to action by consumers in the European Court of Justice.

Mr John Moore, Britain's Transport Minister and chairman of the EEC Transport Council, nevertheless claimed that significant advances had been made in the negotiations and that there was "majority support in principle among member states for all three elements of Britain's compromise package."

He added: "The message to the travelling public is that Europe is at long last on a one way ticket to cheaper air fares from off-putting petty restrictions."

Other observers however, were less optimistic and pointed out that several hurdles still remain before agreement can be reached on Britain's moderately reformist ideas.

Following yesterday's meeting there is unanimous support for the plan to outlaw the arrangements whereby European airlines carve up revenues on a 50/50 basis regardless of underlying performance, and to move to at least a 60/40 share within three years. There is also wide support for the plan to open up existing routes to more competition, and for enabling airlines to open up new services, particularly on the routes linking regional and so called hub airports (such as Heathrow and Charles de Gaulle).

The major sticking point, however, remains as at the last Council in November, the conditions attaching to cut price fares. Britain has been pushing for the removal of what Mr Moore considers unnecessary restrictions – such as the requirement to stay six nights or a Saturday night to qualify for the concessions – but despite fierce lobbying over the last few weeks five countries – Portugal, Spain, Italy, France and Greece – are still against this proposal. Only Denmark, which still has reservations, reluctantly agreed yesterday to move into the "presidency" camp.

The main concern among opponents – some of whom were suggesting a new age restriction yesterday – is that airline revenues would suffer as "captive" business customers moved to take advantage of the new cheap fares.

Unable to claim an outright victory for the British presidency, Mr Moore claimed that the "solid irreversible achievement" of the last six months would put Mr Herman de Croo, the Belgium Transport Minister "in a commanding position to complete this first stage package" when he takes over the Council chair on January 1.

The next move, however, could well come from the European Commission which has already started legal proceedings against EEC airlines under Article 89 of the Treaty of Rome.

Letters have already been sent out to 10 major carriers pointing out infringements of the EEC's competition rules and calling for changes in airline practices. The replies are being studied by the Commission, which is likely to begin discussions with the different parties and negotiate on an agreed deadline for the alleged abuses to be put right.

The Commission, however, will be obliged to issue a "reasoned opinion" if the airlines do not act on its recommendations

El-Sayed gives up control of Fermenta

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

MR Refaat El-Sayed yesterday surrendered his control of Fermenta, the embattled Swedish biotechnology group, to his creditors and is to leave his posts as chief executive and deputy chairman of the board.

In a separate development, Sweden's banking inspectorate said it was starting insider trading investigations into dealings in Fermenta shares by company insiders during 1986 and 1985.

Fermenta has been plunged into its most serious crisis following an announcement from the board at the weekend that the company's external auditors had discovered certain deals included in the company's profits statement for the first eight months had not been completed and that "great doubts" had arisen over the valuation of other items in the accounts.

Virtually the entire reported profit for the period of SKr 353m ($51m) could be endangered and the whole board said that it would offer its resignation at an extraordinary shareholders' meeting called for December 30.

Mr El-Sayed's control over Fermenta, where he has held about 77 per cent of the votes, was wrested from him yesterday by his main creditor, Industrivärden, the Swedish investment company associated with Svenska Handelsbanken.

Mr El-Sayed failed to pay his debt to Industrivärden of SKr 570m that fell due yesterday, and the investment company acted quickly to try to stem the deepening crisis of confidence in the company.

It has taken over the 4m A shares and 2.98m B shares (B shares have one tenth of a vote) which it has held as collateral for the loan and which give it effective control over 43 per cent of the votes and 18 per cent of the capital in Fermenta.

It has taken over the shares at an average price of just over SKr 80 per share, but if there is any profit from an eventual sale of the shares this will be covered by a profit-sharing arrangement with Mr El-Sayed.

Mr Kjell Brändström, managing director of Industrivarden, said that as new dominant owner, the investment group would act to re-establish confidence in Fermenta from customers, suppliers and creditors.

He said that Mr El-Sayed would leave the Fermenta board and his post as chief executive and that a new board would be proposed to a meeting of Fermenta shareholders on December 30.

The rest of Mr El-Sayed's holding in Fermenta are also tied up as collateral with different creditors. Discussions are being held to try to form a consortium to hold the entire 77 per cent stake with a view to later disposal to an industrial buyer.

In a dramatic development two former Fermenta board members Mr Gosta Bystedt, who served as chairman of Fermenta for the last five years and Mr Par Skaantorp, a

Continued on Page 20

Pakistani violence highlights divisions

By Mohammad Aftab in Karachi

FIERCE rioting continued in Karachi yesterday as a further 73 people were killed in clashes between the Pathan and Mohajir ethnic groups, bringing the death toll to 124 since Sunday.

A curfew and military reinforcements failed to stop the brutal clashes, underlining again the difficulty which President Zia ul-Haq's central government has in controlling the feuding ethnic groups within Pakistan's principal provinces.

The violence appears to have flared in response to a police raid on Friday through the Sohrab Goth neighbourhood of Karachi which is predominantly inhabited by Pathans, semi-nomadic tribesmen from north-west Pakistan and Afghanistan.

The Pathans control much of Pakistan's illicit drug and arms dealing and Sohrab Goth has long been known to be a wholesale market for heroin which finds its way to the West, and arms, which find their way to Afghan rebels.

Police reported that they had confiscated arms, bombs, and a large amount of heroin, hashish and other drugs in Friday's raid.

The Pathans accused the Urdu-speaking Mohajirs of agitating for a police crackdown in the suburb and took to the streets on Saturday, erecting barricades and setting fire to homes owned by Mohajirs and also Biharis in the Orangi suburb.

These two groups in turn attacked Pathans in the street and set fire to some of their homes, resulting in a total of 51 deaths on Sunday.

Police are reported to have used clubs, tear gas and finally gunfire to try to disperse the rioters on Sunday night.

Yesterday, the army and navy were called to help and all commercial life in Karachi closed down as troops tried to take control of the city.

Continued on Page 20

Chemical in $1.2bn deal to take over Texas bank

BY JAMES BUCHAN IN NEW YORK

CHEMICAL New York, parent of the sixth largest US bank, announced yesterday that it is taking over Texas Commerce Bancshares in one of the most important US interstate banking mergers in recent history.

The agreed cash and shares offer, thought to be worth about $1.2bn, will create a well-capitalised bank holding company with gross assets of just under $75bn.

Mr Walter Shipley, chairman of Chemical, said: "The merger of Chemical and Texas Commerce brings together two institutions with strong corporate and institutional client relationships and strong regional banking franchises."

The acquisition marks a change in strategy by Chemical, which has largely concentrated on extending its banking services from its New York base into the north-eastern US.

Texas Commerce is the fourth largest Texas bank holding company in asset terms but runs the largest bank network.

While regarded as well managed and as one of the stronger Texan banks, with gross assets of $18.9bn, it has been damaged by the weakness of the Texas economy, particularly the energy sector, and fierce competition for retail deposits.

Assets have declined from a peak of over $20bn, and net income for the first nine months of 1986 was $41.2m against $81.7m a year ago.

Loans classed as non-performing stood at 6.6 per cent of the total book in September.

In September, Texas Commerce's stock price rose sharply on reports that it had put itself up for sale. The bank group also said that it had long supported interstate banking and had thrown its weight behind the enactment of a bill this year to allow out-of-state banks to buy into Texas.

Mr Ben Love, chairman of Texas Commerce Bancshares, said: "This partnership will give Texas Commerce a significant competitive edge by being the first Texas bank to diversify so broadly."

The deal values Texas Commerce at roughly book value of $36 a share, comprising $7 a share in cash and the remainder in Chemical common stock, a preferred stock and a special class B stock whose value and dividend payout will be linked to Texas Commerce's performance and will eventually be convertible into Chemical common.

A novel feature of the deal is the decision to spin off $300m of the non-performing loans, or about a third of their total face value, to Texas Commerce shareholders. This reduces Chemical's estimated purchase cost to $33 a share

Levy to join Renault without compensation

BY WILLIAM DAWKINS IN BRUSSELS

THE BELGIAN Government appeared poised last night to release Mr Raymond Levy from his post as chairman of the loss-making steel producer, Cockerill Sambre, to take charge at Renault, the French car group.

Mr Wilfred Martens, the Belgian Prime Minister, met yesterday with his steel committee of six ministers concerned with the sector, which was due to give its assent to the move.

They broke up without making an official announcement, but an observer said Mr Levy is expected to be named in Paris today as a board member of Renault, so that the French Cabinet can formally elect him as chairman at its weekly meeting on Wednesday. The Paris Goverment approached Mr Levy, after the assassination last month in Paris of Mr Georges Besse, the Renault chairman.

The Belgian Government is understood to have agreed to the move grudgingly. Finding a successor to Mr Levy is complicated by profound regional rivalries within Cockerill Sambre and to complicate matters further, Mr Levy has nearly four years of his five year contract left to run.

Mr Philippe Maystadt, Belgian Economic Affairs Minister, is believed to have expressed his Government's irritation over the Paris Government's request at a meeting last weekend with Mr Edouard Balladur his French counterpart. Belgian Government officials denied last night that Brussels would demand any specific compensation for Mr Levy's loss.

Cons Gold sets spring target for flotation of US gold interests

BY STEFAN WAGSTYL IN LONDON

CONSOLIDATED Gold Fields, the international mining group which has been at the centre of takeover speculation, is hoping to float its US gold interests as early as next spring.

The suggested timing yesterday surprised London analysts who had expected Gold Fields to wait until 1988 – after its latest north American gold mine came into production.

Some stockbrokers said the company had brought forward its timetable in response to the fact that American Barrick Resources, a Canadian gold company, had bought a 4.9 per cent stake in Gold Fields. Mr Michael Coulson, of broker Kitcat and Aitken, said: "They certainly *feel under pressure. Obviously* events are overtaking them."

Companies can enhance the stock market's view of their value by floating successful subsidiaries – and so ward off potential predators.

However, Gold Fields denies there is any link between Barrick's activities and its plans for Gold Fields Mining Corporation, its US subsidiary which brokers estimate could have a market value of up to £500m ($715m). The company says it is preparing for the earliest of a range of dates, from late spring 1987 to 1988, which have long been under consideration.

In Gold Fields' view, it makes sense to avoid delay because investors have paid handsomely for US gold shares and have not been put off shares in mines

Gold Fields' thinking has been influenced by the success Newmont Mining, the US resources group in which Gold Fields has a 26 per cent *interest, had in floating 5 per cent* of its subsidiary, Newmont Gold.

While no final decisions have been taken, Gold Fields would probably float some 10 per cent of its subsidiary.

Gold Fields Mining Corporation owns two producing mines – Ortiz, in New Mexico, which is running out of ore, and Mesquite, California, which came on stream in February 1986. The company is investing $80m developing a mine at Chimney Creek, Nevada, which is planned to start production in March 1988.

At Gold Fields' request, the Department of Trade and Industry is investigating the way in which American Barrick built up its shareholding.

Barrick denies it has acted in concert with anyone, including Anglo American, the South African conglomerate which controls 28 per *cent of Gold Fields, through an as*sociate company, Minorco. As well as its stake in some of South Africa's richest mines, Gold Fields has interests in the US, the UK and Australia.

CONTENTS

EUROPEAN NEWS

Polish newspaper says Government needs reorganising

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH Government needs to be reorganised thoroughly if decentralising economic reforms are to succeed and the country is to avoid falling permanently behind the rest of Europe, according to the economic weekly newspaper, Zycie Gospodarcze.

The 42-point article comes on the eve of a Communist party central committee meeting on the fate of the reforms which were announced in 1981 and partly implemented subsequently.

The newspaper has consistently defended the reform programme against bureaucratic opposition, and its statement is evidently aimed at influencing the meeting to push ahead with it.

It wants subsidiary ministries, like mining and engineering, abolished and responsibility for economic policy to be vested in the main ministries and social policy with the Finance Ministry, which is ultimately responsible for the state sector.

"The branch ministries are paralysing all reforming endeavours intended to block direct government intervention in company decisions," the newspaper says. It believes that companies should be fully autonomous both financially and legally, and that lossmakers should be allowed to go bankrupt.

Profit, which the paper coyly calls "economic surplus," should be the only criterion of economic success, and managers should be responsible only for company performance and not be made to represent the interests of the government bureaucracy.

The newspaper urges an annual inflation rate of not more than 20 per cent to bring the economy into equilibrium, and calls for restructuring of industry to favour the consumer, advanced technology, agriculture and exports.

Meanwhile, latest figures show Poland enjoying a $1bn surplus in its hard currency trade after 11 months of the year. Industrial production grew by 4.4 per cent compared to the same period last year.

Italy pledges L280bn in special help for Egypt

BY JOHN WYLES IN ROME

ITALY'S growing readiness to finance stronger links with other Mediterranean countries has been underlined by a promise of L280bn (£141m) of special aid to Egypt.

The commitment was made at a meeting on Sunday evening between Mr Bettino Craxi, the Prime Minister, and President Hosni Mubarak of Egypt at the end of the latter's tour of five European countries. Mr Craxi also promised to support Egypt's plea for leniency from the International Monetary Fund during talks due shortly on rescheduling its $37bn debt. Cairo is anxious to avoid being forced into adopting a stabilisation package which could foment domestic unrest.

"Everyone has an interest in Egypt remaining a stable country and it should be helped to resolve its huge economic and social problems," said Mr Craxi.

His readiness to commit an aid package, taking the form of a L 130bn grant (half of it in primary goods) and a further L150bn of low interest loans, springs from his personal determination to bolster the moderate Arab regimes on the North African littoral.

Mr Craxi used the meeting with the President partly to pursue his own initiative in favour of a "support group" of Mediterranean states designed to lower tensions and resolve conflicts in the area.

He has also discussed the idea with leaders of the Spanish, Yugoslav, Algerian and Tunisian governments which all fall into the support group's qualifying category of "countries not directly engaged in conflict." An important voice of support was added at the end of the Franco-Italian summit last month by President François Mitterrand of France who first floated a proposal for Mediterranean security grouping two years ago.

Italian officials say Mr Craxi's vision is less concerned with security than with political co-operation. The aim would be to reduce tensions in the area as a whole and to contribute towards resolving the Arab-Israeli confrontation. The Prime Minister's bid for moderate Arab support was emphasised a week ago by a statement condemning Israeli occupation of the West Bank which was one of the strongest yet made by a European leader.

According to officials, Mr Craxi is not yet convinced that his proposal will succeed and he is still taking soundings from prospective members of his support group. The results so far have been encouraging, they say, but a formal initiative is not yet ready.

Many ethnic Turks killed says Bulgarian defector

BY DAVID BARCHARD IN ANKARA

THE PLIGHT of the 800,000 ethnic Turks living in Bulgaria came back under the spotlight at the weekend with the arrival in Turkey of Naim Süleymanoglu, formerly Naum Shalamanov, the 19-year-old world champion weight lifter who defected to the West during a tournament in Melbourne last week.

Mr Süleymanoglu has been given a hero's welcome in Turkey and was paraded by Mr Turgut Ozal, the Prime Minister, at a news conference on Saturday morning. It was virtually the first time since 1984 that the outside world has been able to obtain direct testimony on the fate of the ethnic Turkish minority in Bulgaria.

He confirmed reports that all Turkish names have been changed and that large numbers of ethnic Turks had been killed resisting the policy. Looking somewhat overawed by his reception, Mr Süleymanoglu said: "They changed all our names in 1984. About 80-100 Turks were killed in the district of Kurudzhali and many people were put in prison. They shut the mosques and forbade the speaking of Turkish. By the end of 1985 all Turkish names had been changed.

Bulgaria claims that the Turkish population voluntarily chose to slavicise its names and denies reports by Amnesty International that large numbers of people have been killed. However, it has persistently refused to allow independent outside observers to visit the Turkish population.

● Turkey plans to allow its citizens to start cases in the European courts, including the European Commission on Human Rights, Mr Ozal said yesterday. His remarks came on the eve of a visit to Europe by Professor Ali Bozer, the Turkish Minister of State for EEC Affairs, to lobby support for a Turkish application for full membership of the Community.

Eastern Europe plagued by electricity shortages

BY LESLIE COLITT IN BERLIN

ERRATIC ELECTRICITY supplies are causing widespread disruption in parts of Eastern Europe.

Romania is one of the countries most seriously affected. It has been accused by Yugoslavia of drawing excessive electricity from their joint hydro-electric power station on the Danube for the past three months. Both countries, along with Bulgaria, are suffering from one of the Balkans' longest droughts in living memory.

The Romanians are said to have taken far more hydro-electric power from the Gjerdap 1 station than the 50 per cent provided for under their agreement. Severe power cuts have resulted in the Yugoslav province of Vojvodina where the daily shortfall is now some 7m kw hours. The Yugoslav news agency, Tanjug, said that on December 9 the province was forced to import 4m kwh from Switzerland.

Storage reservoirs in the Balkans are virtually empty, and the Danube is extremely low.

As during the past two winters, Romania has restricted TV broadcasting to a few hours a day and is curtailing electricity and heat to households. Coal production for power plants is lagging well behind targets, and construction of Romania's first nuclear plant is years delayed.

Bulgaria says that its power stations have been overhauled since it was forced to cut power supplies sharply over the past two winters. Poor maintenance, together with the drought, is blamed for much of the shortage. Electricity consumption is said to have dropped by 10 per cent since last year by reducing waste.

Hungary, more than any other Comecon country, depends on imported electricity and was affected by the shutdown of Chernobyl-type nuclear reactors in the Soviet Union after the nuclear accident last May.

French ex-minister escapes bomb

BY DAVID HOUSEGO IN PARIS

FRENCH FEARS of a renewal of terrorism were reinforced yesterday after a powerful bomb shattered the car of Mr Alain Peyrefitte, a former Justice Minister and leading commentator of the right-wing daily newspaper Le Figaro.

Mr Peyrefitte was not in the car but the explosion killed a mechanic. The attack occurred at Provins, a town south-east of Paris where Mr Peyrefitte is also mayor.

Mr Charles Pasqua, the Interior Minister, implied that extreme left-wing terrorists had been behind the attack when he said yesterday: "We know with whom we have to deal. They are the same people who are against Europe and against capitalism."

Terrorists from Action Directe, the left-wing terrorist group, last month claimed responsibility for killing Mr Georges Besse, the former head of Renault. The trial in Paris last week of three Action Directe members on charges of murder had to be abandoned after several members of the jury declined to serve.

Yesterday's attack marks the first time that terrorists have selected a French politician as their target.

Mr Peyrefitte currently writes the main political editorials for Le Figaro and is a senior member of Prime Minister Jacques Chirac's neo Gaullist RPR party.

He favoured the Government taking a strong line against the recent student demonstrations and has also been a supporter of the proposed nationality law which would make it harder for immigrants to acquire French citizenship.

The bomb was planted in the rear of the car which Mr Peyrefitte normally uses at the weekends. It went off when the suspension lifted after the car had been started. By chance Mr Peyrefitte had chosen to use another car. The explosion killed Mr Serge Langer, an employee of the Provins municipality, who had come to collect the car.

The Viennese still hanker after the "good old days" but plans are afoot to make their city a modern international centre

Patrick Blum on a city's ambitious plans

Vienna wakes up to the challenge of the future

VIENNA is fighting for its survival as a living city. Faced with a declining and ageing population, the city authorities are looking at radical ideas to rejuvenate the Austrian capital and prevent it becoming merely a collection of monuments.

Once the administrative hub of an empire of 55m people the capital's population has dropped by a quarter this century to around 1.5m inhabitants and is expected to fall to under 1.2m by the year 2000.

Mr Helmut Zilk, Vienna's flamboyant and energetic socialist mayor, has no doubt that the city is at a turning point. "Vienna is in a period of transition and change." It is finally coming to grips with its past and turning to the future," he says.

He admits that this is not easy for the Viennese, who found it especially difficult to adjust to the collapse of the empire. With about 2m inhabitants at the turn of the century, Vienna was *the world's fourth* largest city, he says. After 1918 and the empire's demise it became an unimportant city on Europe's fringes.

"By the end of the Second World War it was reduced to what you see in the film The Third Man." The film, which is regularly shown here, depicts the city shortly after the war as bleak and broken, where scarcity had encouraged a thriving and sinister black market under the indifferent eyes of soldiers from the four foreign occupying armies.

Vienna has since grown prosperous but many Austrians still hanker after the "good old days" of the monarchy. "In 1918 Vienna had wonderful palaces and churches but 85 per cent of homes were without running water. For the majority there was appalling housing with widespread diseases among children," Mr Zilk says. Tuberculosis, caused by overcrowding, became known through Europe as "the Vienna disease."

Today, Mr Zilk says, it is possible to make a realistic assessment of the city's past and plan for the future. "The city is waking up and we are facing new challenges," he says.

These include making Vienna not only one of the most attractive cities in Europe—there is probably more renovation work going on in Vienna than in any other European capital — but also one of the cleanest and healthiest.

Certainly there has been a resurgence of interest in open air, sports and fitnesss activities with a strong *emphasis* on a clean and natural environment. The traditional and classless *Frei Koerper Kultur* (free body culture) with its emphasis on exercise, bathing, nudism and the sauna, has retained its popularity, helped by the growth of the Green movement.

The Viennese may complain about draughty streets but the wind which sweeps down from the Vienna woods is cleaner and purer than that over most European cities. They are occasionally accused of having an almost pathological obsession with the environment but their city has more parks and open spaces than most of the world's capitals.

Politicians also plan to build on the city's historical heritage and unique central European location to make it a dynamic centre of east-west contact. Since Roman times Vienna has been a crossing point between the north-south Baltic to Adriatic route and the east-west route along the Danube.

Despite the ebb of detente, many Viennese politicians believe it is possible to give new impetus to relations between Vienna and its

> Politicians plan to build on the city's historical heritage and unique central European location to make it a dynamic centre of East-West contact.

Communist neighbours. It is at the heart of Mr Zilk's vision for the city's future.

Several ideas are being considered. A wide-ranging public consultation exercise includes a competition on developing a vast area north of the Danube with new housing, shops, sports and recreational centres and an international railway station to handle high speed trains linking Western and Eastern Europe.

This area, on the bleak flood plains surrounding the river, has traditionally been isolated from the main life of the city, although it has been the focus of numerous efforts to redress the balance. Dr Bruno Kreisky, the former Socialist Chancellor, is said to have fought hard to ensure that a General Motors plant was located on this side of the Danube, both to provide a focus of activity and to underpin western presence and interest in an area that was *under Soviet occupation for* 10 years.

A vast office complex which houses several UN organisations and a large modern conference centre were also built and a leisure park was developed on one of the river's islands.

Proposals will be assessed by an international jury in March. The Vienna authorities will have final responsibility. Mr Fritz Hofmann, who is responsible for planning at the town hall, says that a US company has been asked to make cost assessments for various proposals, but that it will only be possible to make full estimates once projects are more clearly identified.

In any case it will be costly. A new railway station and tracks for high speed trains to Vienna may alone cost up to Sch 30bn ($2.1bn).

Financing will be shared by the city of Vienna, the federal government and state utilities companies, although some input from the private sector is likely. The high costs may dampen enthusiasm at a time when the Government is seeking cuts in expenditure to reduct its budget deficit, but these projects would also provide fresh business for industry and new jobs, both of which are powerful arguments in favour.

Mr Zilk would like to realise at least part of his vision of Vienna as a modern international city able to build on its past. "There is no point in dreaming of the monarchy. We must deal with today to do what is possible."

Recent visits to Prague and Budapest have convinced him that closer links are possible despite the political differences. He believes there are better chances today of bringing the three cities—which have still much in common—closer to one another.

"We are moving in small steps," He says. These include improving communications such as railway services between the three cities next year. A faster service will shorten the journey from Vienna to Budapest by about an hour and the Czechoslovak authorities have apparently agreed to speed up the excruciatingly lengthy controls at their border with Austria. An Austrian clothes shop and cafe is soon to open in Prague and a Czechoslovak store in Vienna.

There are more ambitious ideas. One that has already been discussed informally between Vienna and Budapest is for the two cities to jointly stage a world exhibition in the mid-1990s whose themes, officials in Vienna suggest, could be the city, urban development and the environment. All of which would seem *remarkably appropriate themes* for a city that has in the past establishe dlandmarks in urban planning and innovation.

Bangemann sees higher growth

WEST GERMANY'S Economics Minister, Mr Martin Bangemann, said yesterday that his country's economic growth could range between 2.5 per cent and 3 per cent on average next year, Reuter reports from Bonn.

His prediction, made in remarks prepared for delivery to industry associations, is higher than that of the Government's Council of Economic Advisers, which last month forecast average gross national product growth at only 2 per cent in 1987.

Mr Bangemann said his prediction assumed a higher rate of growth at the start of the year. He also assumed exports would rise again in the course of the year

The volume of exports had shown little increase this year, he said, because of the revaluation of the D-Mark, a decline in demand from Opec and East bloc countries as well as import difficulties experienced by some developing countries.

Dutch plea to US over IMF head

By Laura Raun in Amsterdam

MR RUUD LUBBERS, Prime Minister of the Netherlands, has written to Mr Ronald Reagan, the US President, seeking American support for the Dutch Finance Minister, Mr H. Onno Ruding, as the new head of the International Monetary Fund.

The letter, delivered by the Dutch ambassador in Washington last week, highlights a concerted campaign to install Mr Ruding as IMF managing director.

Mr Ruding's chances were thought to have been hurt by an apparently unprecedented display of open lobbying during the IMF annual meeting in Washington last October.

The IMF board of directors is expected to choose a managing director this week after months of delay caused by a battle between Mr Ruding and Mr Michel Camdessus, governor of the Bank of France.

Because of lack of agreement in the European Community both men, instead of a single candidate, have been proposed for the job, which traditionally goes to a European.

Given the divisions, support from the US could decide who will succeed Mr Jacques de Larosiere, who plans to step down at the end of the year.

Originally, the Dutch were confident of wide support for Mr Ruding, known for his strict budgetary policies. But they admit privately that the long and bitter battle with the French may have dented his chances.

● Mr Wim Duisenberg, president of the Dutch Central Bank, yesterday urged Britain to bring the pound into the exchange-rate mechanism of the European Monetary System.

Europe's big chemical concerns to set up re-insurance group

BY WILLIAM DAWKINS IN BRUSSELS

EUROPE'S MAIN chemical producers are planning to set up their own re-insurance group in response to environmental worries created by the Sandoz chemical disaster.

Mr Arnout Loudon, president of Cefic, the European chemical manufacturers' federation, told a meeting in Brussels that while he saw "no justification" for a systems of collective liability, the industry was considering a number of ways to ease "the present liability insurance crisis."

One of these was the creation of a "re-insurance pooling system by and for the industry at large." Cefic refused to give furthers details of the scheme, which it says will be unveiled as a matter of urgency in the next few months.

However, the plan is understood to involve establishing a group to provide cover for insurance companies in respect of their chemical industry risks, rather than the creation of a direct insurance groups. In this way, the chemical companies involved could influence their own insurance premiums.

Mr Loudon said that the recent pollution of the Rhine from the chemical spillage at the Sandoz plant had underlined the fact that legislation was not a complete safeguard against environmental accidents. Nevertheless, he added: "The chemical industry accepts its responsibility for compensation for damages resulting from faulty operations, when the cause is clearly established."

But to meet these responsibilities, it was becoming "increasingly difficult to obtain the required cover." This was not just because of insurers' worries about repetitions of Sandoz type accidents, but also because of the impact on the world re-insurance industry of a series of heavy claims in the US.

Narjes defends research stance

BY OUR BRUSSELS STAFF

THE EUROPEAN Industry Commissioner, Mr Karl-Heinz Narjes, yesterday denied he was seeking cuts in the EEC research budget in an attempt to strike a compromise with member states over technology spending.

Speaking before the European Parliament's energy and research committee, Mr Narjes said that the Commission was making no financial concessions to member states which wanted to see large reductions in its proposal for an Ecu 7.735bn (£5.5bn) research budget for 1987-91.

He came under strong criticism from MEPs over his compromise offer for a three-year interim Ecu 3.7bn plan, with gradually increasing levels of funding.

But he refused to give details of the offer, presented in a bid to brigde the gap between the four research budget disciplinarians—France, West Germany, Britain and the Netherlands—and the eight member states which support the Commission's full technology budget.

However, Mr Narjes told the committee that the interim plan was simply a different way of repackaging the original proposals so that member states could have a clear idea of what they were spending on research each year, rather than committing themselves to a five-year budget.

The compromise plan envisages a 21 per cent compound annual increase in research spending, starting with Ecu 1.05bn in the first year, which brings it to the full Ecu 7.735bn assuming a two-year extension at the end of the initial period.

Mr Narjes will attempt to make further progress towards an agreement with member states today when he flies to Stockholm for private meetings with EEC research ministers attending a conference on Eureka, the technology alliance formed by 19 West European countries.

He is said privately to consider the compromise plan merely as a way of helping to promote further debate on a proposal which has led to a profound rift within the Community, rather than as his final position.

However, Mr Narjes refused to commit himself yesterday on what stance he proposed to take at the next formal meeting of EEC research ministers next Monday, beyond saying that he would not be withdrawing the scheme. Both the Parliament and Mr Jacques Delors, have called for the programme's abandonment if member states insist on cutting its funding.

Rau hits out at Perle's 'unacceptable' remarks

THE West German Social Democrat leader, Mr Johannes Rau, yesterday attacked Mr Richard Perle, the US Assistant Defence Secretary, for suggesting that Bonn should cut credits to East Germany and use the money to raise military spending, Reuter reports from Bonn.

Mr Rau, who is leading the SPD into a general election next month, told a news conference that Mr Perle had adopted an unacceptable tone towards West Germany.

"I was very shocked that Perle made this remark, which shows that some US politicians believe they can treat the Bonn government any way they please," he said.

Mr Perle told a West German newspaper last week that Bonn should do more to increase defence spending and said it could find the necessary money by cutting regular credits to East Germany.

Government officials have indicated irritation with his remarks and members of Chancellor Helmut Kohl's Christian Democratic Party said they showed that Mr Perle did not fully understand East-West German relations. Regular credits helped make East Germany's economy dependent on the West and also improve the living standard of its 17m people, they said.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R.A. Harper, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $385.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

OVERSEAS NEWS

Judge in MI5 trial voices scepticism on British case

Chris Sherwell reports from Sydney on a bad day for Mr Simos

THE BRITISH Government, putting its final arguments for suppressing the memoirs of Mr Peter Wright, the former MI5 officer, ran into heavy weather yesterday as the judge once again voiced scepticism over key elements of its case.

The sustained interventions from Mr Justice Philip Powell in the New South Wales Supreme Court raised the most serious questions yet over whether Britain can win the injunction it seeks against Mr Wright and his publishers Heinemann Australia.

For Mr Theo Simos, QC, who appeared for the UK Government, it was not an easy day. Drily building up the British case, he found the unconvinced judge pouring increasing quantities of cold water over it with each advancing step.

At one point Mr Powell called the British argument "baloney" and implied, controversially, that UK courts would be more charitable towards the British official line. For good measure he also castigated evidence from the secretary to Australia's Federal Cabinet.

In a significant development earlier yesterday, Mr Malcolm Turnbull, acting for Mr Wright and Heinemann, accused Sir Michael Havers, the UK Attorney General, of making a false statement to the House of Commons last year.

The accusation came when Mr Simos sought to tender as evidence an extract from Hansard for April 30 1985, in which Sir Michael had given a written answer to a question concerning a television interview in March 1985 by a former MI5 officer, Miss Cathy Massiter.

Mr Turnbull described as "false" Sir Michael's contention that none of the persons who alleged criminal misconduct by MI5 was prepared to substantiate the allegations. Miss Massiter, Mr Turnbull said, had subsequently sworn just such an affidavit in relation to another case.

Mr Simos, reiterating the UK position in its most definitive form yet, claimed Mr Wright had worked for MI5 under a contract with the crown, and added that it was not relevant whether the crown was exercising a prerogative or statutory power.

In this capacity, he went on, Mr Wright was subject to the demands of secrecy contained in circulars sent to members of the security service. He also had a relationship of trust with the crown and an obligation of confidence, and these obligations continued.

If the judge felt it was necessary to prove harm was caused, or that this outweighed any public interest in publishing the material, this was set out in the affidavits of both Sir Robert Armstrong, the UK Cabinet Secretary, and of Mr Michael Codd, his Australian counterpart.

It was at this point that exchanges became sharp. Pointing to books published by Mr Chapman Pincher and Mr Nigel West and television interviews by Miss Massiter and Mr Wright—all with "abundant forewarning and, in my view, abundant opportunity to do something about it"—the judge asked: "How can one accept that the British Government was genuinely concerned to demonstrate that MI5 is leakproof?"

He went on: "When a government, having done nothing, despite every opportunity to do something, comes along and says information must be protected in the public interest, it is hard to avoid the conclusion that that is baloney, if I can be forgiven the expression."

One of the most heated exchanges occurred when Mr Simos argued that the Australian public interest to know what was in Mr Wright's book was outweighed by national security factors.

Mr Powell said it was "ridiculous" and "insupportable" to argue, as Sir Robert and Mr Codd had done, that Britain or Australia might stop receiving information from the American CIA unless Mr Wright was kept quiet.

Moreover, if the truth was that, through incompetence or falsehood, the Australian people were being kept in the dark and led to believe all was well when it was not, then, as asked, "Why should they not be told?"

"If the truth of the matter is we're not as free from Soviet influence as we've been led to believe...why shouldn't we be told?"

The chairman of Australia's Press Council said yesterday he had resigned over its refusal to oppose Mr Rupert Murdoch's takeover bid for the Herald and Weekly Times, the country's largest newspaper group, Reuter reports from Sydney.

Mr Hal Wootten said the council was unworthy of its name because of its failure to take any meaningful stand on News Corporation's $1.8bn (£850m) bid. "I am not prepared any longer to lend my name to giving it a credibility it does not deserve," he wrote in a five-page letter of resignation.

Mr Wootten said the council was now little more than a façade for the interests of newspaper proprietors.

Thailand flights for Dragon Airlines

HONG KONG Dragon Airlines, which has faced fierce opposition from rivals since its establishment 18 months ago, marks a major breakthrough today with the start of scheduled services to Thailand, reports David Dodwell in Hong Kong.

The company, controlled since October last year by Sir Yue-Kong Pao, has also revealed that applications to serve destinations in Japan, China, Guam and Nepal will be heard by Hong Kong's Air Traffic Licencing Authority on December 22.

Jordan airline plans West Bank office

Mr Ali Chandour, chairman of Royal Jordanian Airlines, said yesterday he hoped to reopen the national airlines' offices on the West Bank, occupied by Israel since 1967, and to increase tourism in the area, Reuter reports from Amman.

He referred to the area as part of Jordan, a position at odds with Palestinian nationalists who see it as the heart of a future Palestinian state. The plan, on which the airline chairman offered no details, could obviously not be implemented without the approval of Israel.

PLO agrees ceasefire

The Palestinian Liberation Organisation (PLO) led by Mr Yassir Arafat yesterday agreed to an immediate ceasefire at the embattled Palestinian refugee camps in Lebanon, a Palestinian spokesman told Reuter in Iraqi capital of Baghdad. In Lebanon itself, the battle lines around the camps, under siege by the Moslem Shia Amal militia for several weeks, remained relatively calm yesterday.

Tamil Tigers on top

The Tamil Tigers, already the most powerful of the separatists guerrillas fighting the Sri Lankan Government in the northeast of the country, yesterday appeared to emerge unchallenged in the movement, Our Foreign Staff writes. At last 75 people were killed over the weekend in clashes between the Tigers and the rival Tamil groups, state radio said yesterday.

Government reaction was mixed, with army sources elated that the groups were fighting each other but with ministers worried over the ascendency of the "most uncompromising" Tigers.

Sikh terrorist held

Indian police in northern Punjab state have captured the country's most-wanted Sikh terrorist leader, Mr Dhanna Singh, state police officials said yesterday. Meanwhile, police yesterday lifted a curfew in most of the Sikh holy city of Amritsar after a general strike protesting against the assassination of a Hindu leader caused no violence.

Tokyo set to top defence spending ceiling

BY IAN RODGER IN TOKYO

THE Japanese Government is likely next year to break through its 10-year-old self imposed ceiling limiting defence spending to 1 per cent of gross National product.

Mr Masaharu Gotoda, the Chief Cabinet Secretary, said at a press conference yesterday that the combination of rising defence costs and lower economic growth meant that "it would be difficult" to hold the 1 per cent line in the fiscal year to March 31, 1988.

Defence spending this year will reach Y3,343bn (£14.4bn), just less than 1 per cent of GNP. Japan's Self Defence Agency is seeking a 7 per cent increase in its budget for next year, whereas GNP growth is expected to be about 2.5 per cent.

Among factors contributing to the increased defence costs were a planned new sales tax on all goods, rising salary rates and the Government's commitment to increase its contribution to the cost of US military forces in Japan.

In August, the Government indicated it was prepared to spend more on defence in its annual Defence White Pape. The white paper said that the build-up of Soviet forces in the Pacific meant that Japan had to increase its own defence forces, even if that meant exceeding the 1 per cent of GNP limit.

OECD SEES BARRIERS TO EXPANSION

Demand in Japan will not be moved

BY MICHAEL PROWSE

JAPAN IS having only limited success in solving its central economic problem—the replacement of export led growth by domestic expansion of demand—the Organisation for Economic Co-operation and Development (OECD) suggests in its latest survey of the Japanese economy, out today.

The Paris-based forecasting organisation expresses concern that the large gains in Japan's terms of trade resulting from the yen's strong appreciation and the halving of oil prices are not translating as they should into higher domestic spending. It says that "because of institutional and other barriers," the passing of terms of trade gains to consumers has been "incomplete."

For example, although the rise of the yen has led to significant falls in the import prices of unprocessed foods, such as wheat, barley and beef, Japanese consumers have not gained because wholesale prices have remained roughly constant.

Similarly, prices to the final consumer in many service sectors have not declined despite big savings on import bills:

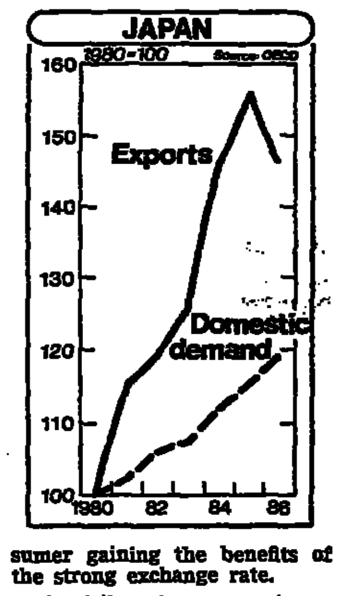
The problem of adjustment to the strong yen is exacerbated because, as the OECD puts it, "while the manufacturing sector in Japan is very competitive and innovative, the record of the non-manufacturing sectors is rather less distinguished." Inefficiency and excessive regulation of the service and distribution sectors is preventing the Japanese consumer gaining the benefits of the strong exchange rate.

Economic outlook

% change from previous period 1980 prices

	1985	1986	1987
Private consumption	2.7	3	4
Gross investment	5.4	5½	4
Foreign balance*	1.0	−1¼	−½
Total domestic demand	3.6	3¾	3½
GNP	4.5	2½	2¾
Inflation†	2.2	½	0
Current account balance	49.2	82	77

* Changes as a percentage of GNP in preceding period: † private consumption deflector.



The failure to pass on terms of trade gains has meant that the deflationary impact of the strong yen on net exports has not been offset by a sufficiently buoyant domestic economy.

Activity, says the OECD, was much lower than expected in the first half of 1986 when gross national product rose at an annual rate of only 1¼ per cent. It projects growth this year of 2½ per cent—the worst in a decade—and an expansion of only 2¾ per cent in 1987. This compares with an estimate from the Ministry of International Trade and Industry (Miti), that Japan's potential growth rate is no less than 5¼ per cent.

The sluggishness of Japan's domestic economy accounts for the OECD's projection of rising unemployment in 1987 and partly explains why the current account surplus, expected to hit a peak of $82bn this year, will moderate only slightly in 1987.

The OECD warns that the smooth transition towards more balanced growth, needed if protectionist pressures in the West are to be countered, will "not be easy to achieve in the short term." This is partly because the reliance on foreign demand was so great between 1980 and 1985 when export volume rose by more than 55 per cent while domestic demand grew by only 16 per cent.

So far as macroeconomic policy is concerned, the OECD makes it clear that Japanese monetary policy is already easy enough: the discount rate at 3 per cent has plumbed an all-time low, while the monetary aggregates are growing much faster than nominal income.

The OECD points out that government expenditure rose in real terms by less than 1 per cent between 1980 and 1985, while real GNP expanded by 21 per cent. The general government deficit was brought down from 5.5 per cent of GNP to 1.4 per cent over the period.

The present stance of fiscal policy despite cosmetic changes, is still neutral rather than expansionary: the OECD expects no significant rise in the deficit as a percentage of GNP.

The OECD says that a temporary fiscal offset to the much weaker external demand facing Japan "may be appropriate." But it concludes that "what matters for the international community is not so much how the transition towards domestic demand led growth in Japan is achieved, but that it is actually achieved."

OECD Publications, 2, rue Andre-Pascal 75775, Paris.

Israeli reform plan in disarray

By Andrew Whitley in Jerusalem

A PROGRAMME of sweeping economic reforms the Israeli Government is seeking to introduce was in considerable disarray yesterday with the Finance Ministry retreating on several of its key aspects.

As recriminations continue over the way in which the programme was leaked last week, a second meeting in three days of the inner-economic Cabinet headed by Prime Minister Yitzhak Shamir, ended in failure to reach a common position.

The four-member policy making body—two each from Labour and Likud—will have had before it November's unexpectedly bad inflationary figures. These reinforced the Treasury's argument that structural changes are now urgently needed by the Israeli economy, if the country is to build on the success of last year's emergency stabilisation programme.

Consumer prices rose last month by 2.9 per cent the second highest figure in the last year bringing the inflation index for the 11 months to November to 17.9 per cent.

The possibility of strike action by a section of the powerful Histadrut labour federation, which is complaining that the Treasury's proposals are socially regressive, eased last night following indications by the Prime Minister that changes were still possible.

The Reagan-style economic reforms were originally due have been put to the full Cabinet for its approval last Sunday. But the debate has been repeatedly put off as Treasury officials work on hasty revisions to their draft.

Mr Emmanuel Sharon, director-general of the Finance Ministry insisted yesterday that the aim of the programme was not just to reduce taxes on top incomes but to expand the overall tax base. He added that the Government also wanted to reduce corporate taxes.

Loan sets IMF seal of approval on Morocco's economy

BY FRANCIS GHILES

THE International Monetary Fund is set to approve today, a standby loan for Morocco worth SDR 230m ($276m). Earlier this year, the strain in relations between the IMF and Morocco led to the suspension of a $240m line which had been agreed in September 1985.

Last year witnessed a shortfall in government revenue coupled with an overrun in expenditure. By mid 1986 arrears had reached Dirhams 9bn ($1.03bn) and the budget deficit of 10.4 per cent, later reduced to 6.6 per cent, was felt by the IMF to be too high.

Officials in Washington are happier with Morocco's economic performance this year. Bumper crops after five years of drought a sharp rise in tourist receipts and workers' remmittances have coincided with external developments such as the collapse in the price of oil and lower interest rates.

The IMF is also comforted by the agreement reached between Morocco and its international bank creditors after three years of protracted negotiations which allows for the rescheduling of $1.6bn of principal debt over a 10 year period, starting in January 1987, with four years grace. The borrowers will pay a margin of 1½ per cent over the interbank rate.

The $450m worth of bankers' acceptances, most of which were issued by US banks before August 1983, when Morocco formally requested that its external debt be rescheduled, and which it treated as working capital will be converted into a six year facility, which carries a similar margin. Trade arrears of $170m will be rescheduled over six years.

Morocco's gross domestic product will increase by at least 5.5 per cent this year to Dirhams 137.6bn ($15.7bn), compared with 4.3 per cent in 1985.

Two good cereal crops have played a vital role. The improved performance of the economy has narrowed Morocco's current account deficit from $1.3bn in 1983 to $890m last year. This year it is not expected to be more than $250m.

The trade account, however, only improved by 8 per cent in 1985 and the IMF remains unhappy about Morocco's reluctance to cut imports.

Morocco's external debt stands at SDR 13.9bn ($16.7bn), a figure which has not altered significantly since 1983 but which amounts to 109 per cent of GDP.

The need to press ahead with reforms remains. Mr Mohammed Berrada, the Minister of Finance appointed last April, has played a good hand with the IMF and the international banks. He has introduced value added tax, but an increase in taxation remains a necessity.

The ratio of tax to GDP has declined by two percentage points to 21 per cent since 1980, an absurd situation at a time when the state owes Moroccan companies so much money.

State funded investment has, however, been cut in nominal terms by 2.8 per cent to Dirhams 19.9bn ($2.27bn) in next year's budget.

	1983	1984	1985	1986	1987
CURRENT CCCOUNT DEFICIT ($bn)	−1.31	−0.99	−0.89	−0.25	
FOREIGN DEBT SERVICE AFTER RELIEF ($bn)	1.20	1.09	1.35	1.80	1.7
As a % of export goods, service/transfers	33.4	23.5	34		
DEFICIT OF CURRENT ACCOUNT (% of GDP)	11.6	8.2	1.7		
DRAWN FOREIGN DEBT (SDR BN)	12.5	13.4	13.3	13.9	13.9

Source: IMF and Moroccan authorities

AMERICAN NEWS

White House says Regan ready to testify

BY STEWART FLEMING IN WASHINGTON

THE White House offered yesterday to send Mr Donald Regan, the Chief of Staff, to Capitol Hill to tell Congress what he knows about the controversial Iranian arms deals.

The announcement by White House spokesman Mr Larry Speakes followed comments on Sunday by members of the Senate Intelligence Committee that they would be considering whether to ask Mr Regan to testify.

Mr Regan, who has been under persistent pressure to quit in the wake of the affair, has consistently maintained that he did not know about the transfer of funds from the US arms sales to Iran to the Contra rebels in Nicaragua. He has said that National Security Council staff did not report to the President through his office.

The pressure on Mr Regan to quit, has come from Capitol Hill, but it has also been reported that friends of President Ronald Reagan from his days as Governor of California, have also been urging the President to reconstitute the White House staff in order to make a fresh start for his last two years in office.

The New York Times reported yesterday that in recent weeks Mr Michael Deaver has re-emerged as an unofficial adviser to the President. The newspaper reported that Mr Deaver, who was one of the President's inner circle of advisers during the first Reagan Administration, has talked daily in recent weeks with Mrs Nancy Reagan. Mrs Reagan has also reportedly been pressing for Mr Don Regan's resignation.

Mr Regan has resisted the pressure to go. Among those named as possible successors are Mr Drew Lewis, former Transportation Secretary, and Senator Paul Laxalt, a friend of Mr Reagan's.

Insider trading prison term upheld

By Anatole Kaletsky in New York

THE PUBLIC controversy over the Ivan Boesky insider trading scandal seemed certain to intensify yesterday after the US Court of Appeal confirmed a sentence of 18 months' imprisonment on Mr R. Foster Winans, the former Wall Street Journal reporter who was involved in a separate and much smaller insider operation in 1983 and 1984.

Although the Appeal Court's judgment was stayed pending a further appeal to the Supreme Court, the contrast between Mr Winans' prison sentence and the agreed non-custodial settlement between Mr Boesky and the Securities and Exchange Commission (SEC) could add to the growing pressure for a tightening of legislation on insider trading.

Mr Winans had been found guilty in August 1985 of leaking advance information to Mr Kenneth Felis, a broker for the firm Kidder Peabody about the companies which he planned to mention in his widely-followed "Heard on the Street" column in the Wall Street Journal.

Canadian faces spy charges in Iran

A CANADIAN oil engineer detained two weeks ago in Iran has been charged with espionage and accused of photographing sensitive military areas, authorities said yesterday, AP reports from Toronto.

A Foreign Ministry spokesman in Tehran said an investigation was continuing into charges against Philip Boyd Engs.

Canute James reports on the political outlook as Trinidad and Tobago vote

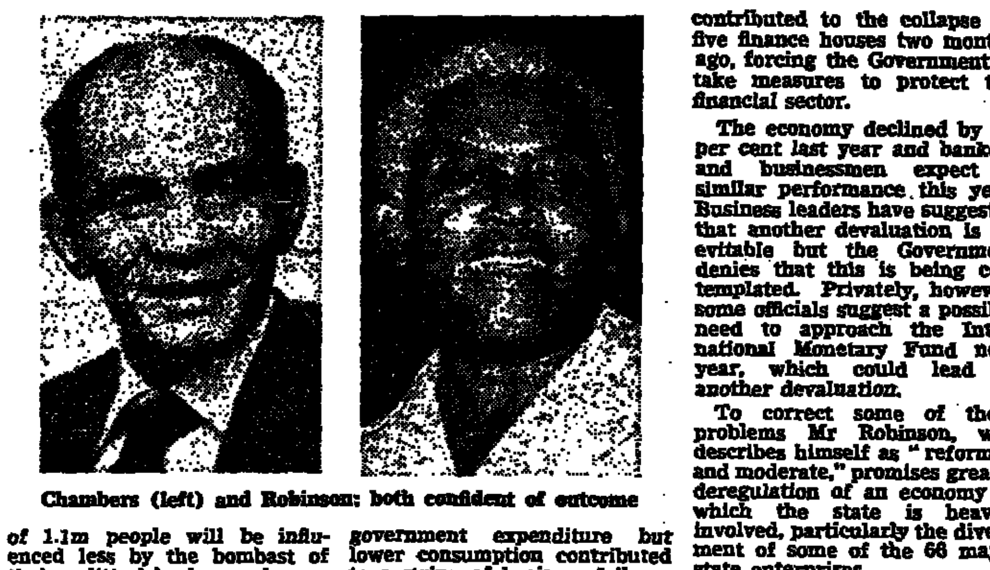
Trinidad coalition waits in the wings

THERE are few things in the Caribbean which excite passions more than cricket and politics to the approach of Mr George Chambers, Prime Minister of Trinidad and Tobago, to yesterday's general election is hardly surprising.

"They cannot bowl me out. They want me to declare but I am not declaring," the Prime Minister says of the challenge to his People's National Movement, which has dominated the country's government for three decades. "If they want me out they must bowl me out. But as far as I can see they have no bowlers."

Mr A. N. R. Robinson, leader of the National Alliance of Reconstruction, a coalition of four parties which presents a major challenge to the PNM, may think his bowlers need only mop up the ruling party's tailenders. Public opinion polls published last week suggest that Mr Chambers' occupation of the Prime Minister's office will end today. The polls say that the NAR will take 55 per cent of the votes and about 24 of the 36 parliamentary seats at stake.

In the last election the PNM took 26 seats. The 900,000 voters in the English-speaking Commonwealth Caribbean Republic



Chambers (left) and Robinson: both confident of outcome

of 1.1m people will be influenced less by the bombast of their political leaders and more by the parlous state of the once-booming economy.

The PNM's hegemony has been undermined by a rapid deterioration in the economy. Mr Chambers, who is also Finance Minister, devalued the country's currency by 3 per cent a year ago and reduced government expenditure but lower consumption contributed to a string of business failures and unemployment has risen to 20 per cent.

Income from oil in the first seven months of this year fell to $277.7m, about $400m less than was expected by the Government. Foreign reserves, which grew to $3.16bn in 1982 stood at $575.2m in June and contributed to the collapse of five finance houses two months ago, forcing the Government to take measures to protect the financial sector.

The economy declined by 5.5 per cent last year and bankers and businessmen expect a similar performance this year. Business leaders have suggested that another devaluation is inevitable but the Government denies that this is being contemplated. Privately, however, some officials suggest a possible need to approach the International Monetary Fund next year, which could lead to another devaluation.

To correct some of these problems Mr Robinson, who describes himself as "reformist and moderate," promises greater deregulation of an economy in which the state is heavily involved, particularly the divestment of some of the 66 major state enterprises.

"If we are elected our first priority will be to rebuild business confidence, which includes putting private management in place in the public sector," Mr Robinson says. "Part of this involves the divestment of state enterprises, especially those which are engaged in the production of commercial goods and services. We will seek to divest state enterprises such as those involved in iron and steel, fertilisers, canning and packaging."

The ruling party is laying great store by the 2,000-acre industrial park and a steel mill fired by cheap, locally produced gas. These smoke stacks are being presented by the ruling party as indicative of what it can do if given another chance. Trinidad and Tobago's neighbours

Mr Chambers' Administration did not support the US-led invasion of neighbouring Grenada in 1983 and tended to be independent in its foreign policy, while not being publicly anti-American. Mr Robinson's promise to favour foreign and local private business, and indications that he will seek improved relations with Washington, will leave the more Conservative Caribbean governments hoping that the polls are proven correct.

Race is inevitably a factor. Traditionally the PNM has been supported mainly by Afro-Trinidadians, while the NAR draws most of its support from the Indian community. Much depends on the extent to which either party can cut into the other's support.

Industrial production rises to highest level since April

BY OUR US EDITOR IN WASHINGTON

INDUSTRIAL production in the US rose by 0.6 per cent in November, the strongest gain since April.

The increase followed three months of virtual stagnation but left the Federal Reserve board's production index less than 1 percentage point higher than it was a year ago.

Employment data for November, which showed some recovery in the number of workers employed in the manufacturing sector, had raised expectations that output in November would rise. But many economists see the increase as a short-term reaction to earlier weakness rather than a sign that the economy is picking up momentum.

US Administration launches welfare reform campaign

BY NANCY DUNNE IN WASHINGTON

THE Reagan Administration has produced a major study accusing the US welfare system of contributing to the persistence of poverty in America.

The report also recommends an easing of the welfare rules so that state and local officials can initiate a series of experimental schemes over the next five years.

The report, released after 10 months of hearings and study, came in response to an order in President Ronald Reagan's state-of-the-union message last year. The Administration is expected to make welfare reform a top domestic initiative in 1987.

More than 52m Americans, nearly 20 per cent of the population benefit from at least one of the 59 programmes designed to assist the poor, the study says. Spending has soared from $21bn (in constant 1985 dollars) in 1960 to $132.2bn (£93bn) in 1985.

"The system should encourage people to be self-sufficient, yet its incentives inspire passivity and undermine the desire to work," the study says.

"Moreover, the system 'parachutes' assistance to individuals from faraway state and federal capitals with scant regard for community standards and conditions."

Its numerous and often conflicting rules frustrate welfare workers and "demoralise the poor."

The study recommends a programme of widespread, long-term experiments with each scheme requiring all able-bodied participants to work in the private or public sectors.

The report was attacked by Senator Daniel Patrick Moynihan, a New York Democrat and a leading expert on welfare, as "the familiar anti-federal rhetoric" that will "no more emancipate the poor than Reaganomics has balanced the budget."

EEC in warning shot at Canada

By Quentin Peel in Brussels

THE EEC yesterday fired a warning shot at Canada because of growing strains in trade relations, hinting at retaliation if a variety of trade restrictions are not relaxed.

The issue has been brought to a head because of the imposition by Canada of countervailing duties on pasta imports, aimed originally at the US, but now hitting Italian exports.

The community has already complained to the General Agreement On Tariffs and Trade in Geneva about the action.

Now EEC foreign ministers have been told that Canadian measures are also threatening community beef exports, English-language books and teabags from the UK, fish and asphalt oil.

The aim of yesterday's statement was to underline that the 12 EEC states are losing patience over the lack of progress with Canada "on a broad range of bilateral issues," in spite of a recent high-level meeting with the European Commission.

The ministers "expressed concern that, if these issues were not rapidly resolved, there could be a deterioration in the normally very good relations between the EEC Commission and Canada."

They invited the commission "to continue to pursue these matters vigorously and firmly with Canada," both in bilateral negotiations and where appropriate in the Gatt.

On pasta, the 12 warned that "a serious situation would arise in EEC/Canada relations if the countervailing duties were not withdrawn."

Italy has made clear it will ask for a list of possible retaliatory measures to be drawn up if the pasta issue is not resolved.

Louise Kehoe reports on a struggle for leadership of the world semiconductor market

US chip industry becomes a national talking point

THE STRUGGLE between the US and Japan for leadership in the $20bn world semiconductor market is quickly moving beyond the realms of a trade dispute to become a major national economic and defence issue.

While debate over the effectiveness of the controversial US-Japanese semiconductor trade agreement continues, the attention of industry leaders and many of their Washington supporters has turned to proposals for a government initiative to "save" the US semiconductor industry.

One measure of the attention being given to the semiconductor industry's problems is the number of high level groups studying the situation. The Defense Department, the National Security Council, the National Science Foundation and the Commerce Department, are all taking a close look.

This is in addition to industry, independent and congressional groups focussing on various aspects of the international competitiveness of US high technology.

The semiconductor industry has been made a priority by the Commerce Department, which initiated an anti-dumping suit on behalf of US chipmakers and pressured Japan into a broad semiconductor trade agreement that promises an end to Japanese dumping and greater access to the Japanese chip market.

The critical role of the semiconductor industry is "beginning to be recognised as a national issue. The government is beginning to see that something must be done," says Mr Robert Burger, senior vice president for research at the Semiconductor Research Corporation, an industry research co-operative, and a member of a high level defence science board task force.

Two issues are elevating the debate over the future of the chip industry into a national issue:

- Semiconductors are the basic building blocks for all electronic goods. "Without a semiconductor industry to provide a base for all our high technology endeavours, the future economic strength of this country is threatened. Downstream effects will be pervasive: loss of jobs, opportunities and quality of life," a defence science board task force has concluded.
- Advanced semiconductors are essential to the technological superiority that is central to US defence policy. There is growing concern in defence circles about the increasing dependence of US military contractors on foreign, especially Japanese, chip suppliers. This has recently been increased by the proposed sale of Fairchild Semiconductor, one of the largest US military chip suppliers, to Fujitsu of Japan.

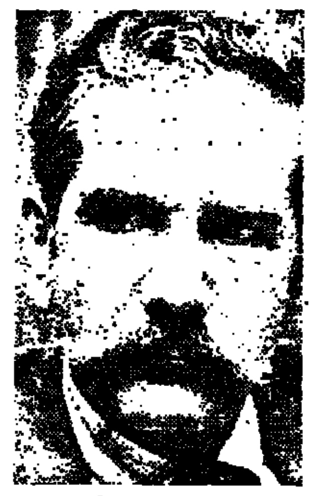
Both issues are closely bound, say industry leaders. "Without a strong, healthy, competitive semiconductor industry you don't have the military supply capability that this country needs. I think that is what the Government has recognised," says Mr Charles Sporck, president of National Semiconductor, who is spearheading an industry proposal for a major collaborative industry- and government-funded project aimed at restoring US semiconductor manufacturing technology leadership.

Mr Sporck's project, tentatively called Sematech (semiconductor manufacturing technology) involves chip producers, their major customers and the companies that supply them collaborating to build an advanced semiconductor production plant that would be the proving ground for new production technology. No mere pilot line, this plant should be a high volume commercial production facility, industry leaders say.

"It appears very likely that the Department of Defence will support Sematech," says Dr Burger. The defence science board task force of which he is a member will soon issue its report proposing a "semiconductor defence intiative" that is "completely congruent" with the industry project, Dr Burger says.

US industry reports suggest that the task force will require funding for the project at over $1.6bn over five years. "Certainly it will take several hundred million dollars per year," Dr Burger confirms.

The Department of Defence has. Dr Burger suggests concluded that it must go further than funding individual or even industry-wide research projects



Charles Sporck: spearheading collaborative project

if the US is to have the industry it needs.

US industry executives welcome proposals for a collaborative manufacturing effort as a step in the right direction.

Norwegian venture to boost NZ shipping

By Kevin Brown, Transport Correspondent

A joint venture shipping operation is expected to be announced in Auckland today which could have a significant impact on trade between New Zealand and Japan.

Kristian Jebsens Rederi, a Norwegian shipping group, is believed to have reached agreement with Tasman Pulp and Paper on the formation of a jointly-owned subsidiary to be called Tasman Jebsen New Zealand Line.

Tasman Pulp and Paper, a subsidiary of Fletcher Challenge, is New Zealand's biggest exporter of manufactured goods. The total investment proposed by the two groups is believed to be more than $100m (£70m).

The new line is expected to operate five ships, making it New Zealand's biggest shipping company. The major route would be to Japan but services are also expected to be offered to other parts of Asia.

Jebsen's decision to expand its interests in New Zealand follows its success in developing a profitable tramp shipping operation in competition with established services to Japan and Korea run by the Integrated Container Services conference.

The conference represents a variety of interests, including Overseas Containers, a subsidiary of Peninsular and Oriental Steam Navigation of the UK; China Navigation, a subsidiary of the London-based Swire Group; New Zealand Line; and Mitsui OSK and Japan Line of Japan.

Tasman Jebsen is expected to carry most of Tasman Pulp and Paper's exports to Asia, as well as refrigerated cargo, forestry and general products. Southbound ships will rely on container traffic.

Jebsens is believed to be ready to introduce a sixth ship if trade remains as buoyant as in recent years.

Dutch ready to sanction submarines deal with Saudi Arabia

BY LAURA RAUN IN AMSTERDAM

THE Dutch Government has promised to grant an export license to the Rotterdam Drydock Company if it wins a Fl 3.5bn (£1.07bn) order for eight submarines from Saudi Arabia.

Yesterday was the deadline for bids to be tendered to Saudi Arabia, which is expected to take up to six months to award the contract.

The Dutch cabinet has decided such a contract would meet official criteria on exports of military material, that it would not fuel Middle East tensions because Saudi Arabia is a stabilising factor in the region and would not jeopardise Israel's security.

Relatively little controversy has surrounded the mooted order because it would provide valuable jobs in the Netherlands' struggling shipbuilding industry.

Rotterdam Drydock is one of seven West European shipyards vying for the Saudi contract involving eight submarines, harbour facilities and personnel training.

The other shipyards are Vickers Shipbuilding and Engineering of the UK, Howaldtswerke Deutsche Werft of West Germany, Thyssen Nordseewerke of West Germany, Direction des Constructions Navales and Thomson CSF of France, Kockums of Sweden and Fincantieri of Italy.

The Rotterdam Drydock Company notes that Dutch-Saudi relations have improved notably since a visit to Ryadh by Mr Ruud Lubbers, the Dutch Prime Minister, and Mr Hans Van Den Broek, the Foreign Minister, in 1984.

The Saudis are believed to want to diversify away from France as an arms supplier toward a country that is less involved in superpower politics.

Rotterdam Drydock is offering its Moray 1800 conventionally-powered submarine with advanced electronics by Hollandse Signaalapparaten, the military communications subsidiary of Philips. Several Moray submarines also are on order by the Royal Dutch Navy.

The Rotterdam shipyard would head a consortium including Hollandse Beton Groep, a Dutch construction company, which would build the harbour facilities.

Financial details are still to be decided. Whether the Hague would provide export credit insurance may depend in part on whether Saudi Arabia makes a hefty upfront payment, as has been suggested. Some mention also has been made of a barter deal involving crude oil.

Turkish group in nylon yarn deal with Dupont

By David Barchard in Ankara

THE Sabanci Group, Turkey's second largest industrial empire, is to set up a joint venture with Dupont de Nemours of the US to manufacture nylon yarn at Izmir, near Istanbul.

The deal is the latest in a series of 50-50 ventures which the big Turkish groups are negotiating with foreign companies. The plant will probably export about a third of its production.

Sabanci is also planning a partnership with Bekaert of Belgium to manufacture steel cords for car tyes in Izmir. Sabanci owns Lassa, one of Turkey's big tyre producers and Korda, which makes cord fabric.

Japan car makers in move to increase exports to US

BY JOHN GRIFFITHS

The Japanese Automobile Manufacturers' Association is putting pressure on Japan's Ministry of Trade and Industry not to renew the voluntary restraint agreement limiting shipments to the US when it expires in March, according to DRI Europe in its latest world car market analysis and forecast.

This follows the outcry in Europe over Japanese manufacturers capturing a record 12 per cent-plus of the European market, representing a 22 per cent volume increase, in the first three-quarters of this year, and the subsequent imposition by Japan's Trade and Industry Ministry of a 1.1m voluntary export restraint to Europe for this year.

US car manufacturers were granted a reprieve in the domestic market this year as Japanese rivals' switched attention to western Europe because of the yen's rise against the dollar.

While DRI forecasts that direct Japanese imports to the US will stabilise, it warns that total Japanese sales in the US are likely to grow significantly in the next few years through the activities of transplants — US production facilities.

With imports from countries such as Korea, they will account for a 3 per cent fall in the size of the US market next year outpaced by an 8 per cent fall in sales made by US producers.

While there might be a growing belief that demand for Japanese cars in the US is faltering because of price increases, "in reality Japanese sales during the current quota year are running ahead of last year."

However, inventory had been accumulating, indicating that "demand for Japanese cars is not unlimited."

The rise in inventory indicated that the ceiling on demand "is being approached at current price levels," raising questions about how the Japanese will be able to sell 1.5m more US-produced cars by 1988 without a downward price adjustment."

In western Europe, DRI forecasts that record 11.3m demand in 1986 will be followed by stagnation next year.

DRI does not expect the Japanese manufacturers to hold on to their current collective third place, behind VW/Seat and Fiat in the short term. But it warns that in the medium term they will continue to improve on their market share.

Not least this is because the UK-assembled cars from Nissan and Honda will have at least 60 per cent EEC content, thus allowing them unrestricted access to France and Italy, two countries which all but exclude Japanese imports.

The DRI World Automotive Service Forecast Report, 30 Old Queen St, London SW1H 9HP. £1,400.

CAR SALES AND PRODUCTION

	1980	1986*	1987*	1990*
World				
Sales	28,843	32,737	32,459	34,973
Western Europe				
Sales	10,119	11,292	11,236	11,471
Production	10,347	11,612	11,784	12,257
North American				
Sales	9,907	12,322	11,927	12,457
Production	7,212	8,928	8,543	9,031
Japan				
Sales	2,854	3,195	3,242	3,366
Production	7,038	7,757	7,729	8,054
South Korea				
Production	57	414	636	910
Exports	15	277	465	640

* Forecast

Source: DRI Europe

MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

How Israel promotes the venturing spirit

Andrew Whitley reports on Orgenics' big company link

THE SMALL cluster of prefabricated huts huddled together does not look promising. Yet, located as they are in the forecourt of a big factory situated in a nondescript industrial park just off Israel's main north-south highway, they have provided an incubator for what may well prove to be one of the country's most interesting start-ups in recent years.

The huts house Orgenics, the brainchild of Professor Max Herzberg, a French-born former lecturer in molecular biology. It is a venture that illustrates the pluses and minuses of entrepreneurship in a country that sets out to encourage a venturesome spirit.

But equally it shows how a high-tech start-up can be given a significant leg-up if it is taken under the wing of a large company which then provides not only premises, but also financial and administrative support, together with marketing expertise in home and overseas markets and vital links with companies in the US and elsewhere.

Herzberg set up Orgenics, which makes veterinary and other medical diagnostic tools, four years ago when he was teaching at Tel Aviv University and when, as he wrily puts it: "One day something terrible happened; I got a practical idea."

The idea was to develop a self-contained, instrument-free tool, firstly for veterinary use which would be accurate enough for the requirements of modern medicine, yet simple enough to be used by relatively untrained vets in the field. Subsequent development would lead to a version for general medical use.

Having bright ideas in Israel is not a problem — indeed, the country has a glut of them. On the plus side, also, the Israeli government tries to be supportive of new business ventures, especially in any aspect of high-tech industry. Recent setbacks in the sector notwithstanding, this remains the state's favoured direction for the economy.

Herzberg says another helpful aspect of the Israeli business climate is availability of a highly motivated workforce; "you can do much more with less," he comments.

But then there is the minus side — not least jumping the hurdle between the academic world and that of business in a field littered with previous failures. Then the budding new entrepreneur in Israel faces a formidable array of other obstacles. There is a lot of bureaucratic red tape. And bank interest rates are very high. "You can't pay your bills with moral support," complains Herzberg.

Herzberg believed that the potential for his ideas was twofold; there was a market in the undeveloped countries which could not afford large, heavily equipped laboratories which had become the norm in the West. And, at the same time, he thought he had spotted a new trend in advanced countries which were moving away from large laboratories back to small, local clinics and bedside diagnoses.

His company would take some existing technologies on which the "R" had been done but the "D" awaited further work. How and where the products would be sold was initially not totally clear.

Brain-storming

Herzberg's opportunity to make the leap from academe came in late 1982 when by chance he met Yehuda Bronicky, founder and president of Ormat Turbines, at a brain-storming session aimed at finding ways to improve ties between industry and the scientific community. Chairing that meeting was one of Israel's most unusual businessmen—Stef Wertheimer, a visionary who has proclaimed the high-tech era as the coming "third phase of Zionism," or nation-building, following agriculture and defence.

The Ormat Turbines president, who says he had been waiting for the right invention to come along, was so taken by Herzberg and his ideas that he offered to put up much of the initial capital required and house the new venture on his own company premises at Yavne, south of Tel Aviv. In effect, Orgenics was to be Ormat's R and D arm.

Although no obvious connection exists between heavy duty turbines and the rarefied world of dna genetics in which Herzberg is immersed, Bronicky is convinced that his altruism will, in the long run, have practical benefits for his own company as well. As opposed to the quick returns available in fields such as electronics, Orgenics and Ormat are both long-haul enterprises, he argues, and the two companies' activities could eventually converge.

Within a few months of Bronicky making his offer, Orgenics and its staff (now 25-strong) were installed in the wooden huts it still occupies, with Ormat paying Orgenics' bills and providing all the infrastructure services it needed. "From the start it was a perfect match," says Herzberg. "Orgenics was free to develop its own technology without worrying about practical matters ranging from secretarial services to accounting."

Bronicky comments: "I wanted to save them the waste of time (and resources) which setting up support departments involves for any start-up."

The bill has not come cheap. Ormat is a healthy and profitable company with annual sales of US$25m, over three-quarters of which are exports. But nurturing the fledgling Orgenics through the early years of operational activity has taken a big chunk out of the turbine company's annual profits.

Nonetheless, the size of the financial drain has been eased by Herzberg's decision to launch as soon as possible a number of "quickie" products designed not only to generate cash to fund continuing research but also to provide Herzberg with experience of the real business world. Because Israel is too small to test market sophisticated new products and produce an adequate cash flow, it was necessary to look abroad to western industrialised countries and Japan.

"I wanted us to teach ourselves how to market, and so had to develop a product straightaway," says Herzberg. The product was a viral diagnostic card based on recombinant dna technology and it was developed while working together with the Pasteur Institute in France. Marketed in Continental Europe as the SOS-Chromotest, Orgenics' first test kit was not exactly an instant hit.

Research at Orgenics: the Israeli government tries to be supportive of high-tech industry

Another early trial effort was the Toxi-Chromotest, which can detect minute quantities of toxicants through a stain reaction. But, according to Jonathan Taylor, Orgenics' young English marketing manager, there was no money in this particular venture. However, there are hopes that a test for AIDS launched recently will prove a money-spinner.

The first real success came last year with a poultry vaccination test called Immunocomb Or. This is a patented, colour coded plastic card. Orgenics says its special feature is that the card's built-in "controls" can check more than one determinant at the same time.

This was researched, developed and brought to the market in only 18 months by a team of 10 technicians and was responsible for a large part of Orgenics' 1985 sales of $1m. Launched in the US early this year, the vaccination test has been cleared for commercial use by the US Department of Agriculture, and sales are now said by the company to be running at about 500 units a month. The rapid diagnosis market is seen by the company as one of the most promising for the coming year.

But while Orgenics had been beavering away at its research and development work, what it really needs—as a small company—to turn the juicy prospects into reality are foreign partners with muscle in markets.

Herzberg makes no bones about the importance to an Israeli company, in particular, of foreign partners. In part it is because of the political problems often encountered by Israelis abroad but equally important is the management's desire to maintain control of the company's direction while relying on others' sales networks.

In pursuit of this aim, a distribution agreement for the dna chemi-probe was signed earlier this year with Takara-Suzo of Japan, a Kyoto-based company with over 50 per cent of the Japanese market in enzymes and other molecular biology products. In France, a joint venture to market products in Western Europe and provide a licensing entity for food industry tests is also under consideration.

Herzberg, who is still technically on leave from Tel Aviv University, is at last confident enough to look four years ahead to the end of the decade. By the end of this year, the company hopes to be balancing its expenditure and revenues and be able to report its first profit in 1987. Sales are forecast to double annually over the coming years, with a goal of $15m set for 1989.

"We've passed our start-up phase," Orgenics' president says. "And if we play our cards right we can become a major supplier of field and diagnostic products."

UK venture capital

An international outlook

UK-BASED venture capital organisations are becoming more international in their outlook. Not only are they looking for more overseas investments, but they are also beginning to establish bases overseas or partnerships with foreign venture capitalists.

While the early days of the UK venture capital industry's development saw funds establishing overseas contacts predominantly in the US, times have now changed. This is the message of an article in the latest issue of the UK Venture Capital Journal.

"The collapse of the new issue market for young technology companies, combined with an increasingly unfavourable dollar/pound exchange rate, have resulted in a sharp downturn in US venture capital investment activity out of the UK," says the journal.

Attention of UK venture capitalists has shifted towards Continental Europe, but as it takes time to establish contacts and expertise, only a small number of them have actually made any investments there. In the past two years several venture capital relationships have been established between the UK and Japan.

The most active independent private venture capital organisations (that is, those not publicly listed or owned by a banking organisation) making direct overseas investments have been Advent, Alan Patricof Associates, Alta Berkeley Associates, Thompson Clive and Partners, Baring Brothers Hambrecht and Quist, and Top Technology, which manages the Hambros Advanced Technology Trust. A majority of their 116 total of investments has been in the US, but RBHQ has made 10 investments in Continental Europe, Alta Berkeley, eight, Advent, four, and Cygnus Venture Partners, managers of Vista Ventures, four.

The most active venture capitalist has been 3i which either directly or indirectly has a total of some 36 investments in Continental Europe and internationally (outside the UK) around 130.

Meanwhile, the US Venture Capital Journal reports a growing trend in the US of venture capital funds linking with consultants to establish a team approach to investing. Such partnerships, says the journal, have proved to be an "excellent selling point" during money raising. Such links also help the flow of investment opportunities and the venture capitalists find the consultants to be of help in analysing investment opportunities.

In brief...

AN INCREASE in all areas of its business development activity has been reported by the Welsh Development Agency during 1986. Its Small Firms Centre, now administered by the agency in association with the Department of Employment, responded to some 17,000 inquiries. More than 900 people were given business training and preparation courses, professional advice was offered to 7,000 companies and 10,000 individuals and companies received business counselling.

In its efforts to raise awareness among young people about business, the agency responded to invitations from 120 secondary schools and colleges to introduce enterprise into the curriculum of about 4,000 pupils and students through a structured programme.

For those up to the age of 25 who put business ideas into practice the WDA and the Mid-Wales Development Board jointly launched an Early Start Business Award Scheme, making awards totalling £15,000 available to the most promising newcomers.

●

A FINANCING scheme for smaller exporters has been developed by Exfineo, a specialist export finance company which has the backing of the Electra Investment Trust, the Legal and General Assurance Society and two international financial groups, the Arab Banking Corporation and First Pacific Holdings.

Exfineo already has schemes which cater for the large exporters. Now it is aiming at those companies whose total exports are less than £0.5m a year.

The service provides both export finance and foreign exchange support. The company sees its scheme as providing smaller companies with the ability to attract a higher level of orders by invoicing in the overseas buyers' currencies, but without risk and without the administrative effort or cost involved in using conventional forward contracts.

Additionally, maintains Exfineo, it provides accelerated, pre-planned cash flow since it ensures 100 per cent payment on shipment of the ECGD (Export Credit Guarantee Department) insured value of sales.

Where sales are not on open account a documentary collection service is provided.

The cost of what is called the Finforex package is a margin over the average of clearing bank base rates of 1.5 per cent a year, together with a monthly commission of £200, and tariff charges for transactions involving documentary collections.

With the package, Exfineo pays cash for goods within 24 hours of receiving simple evidence of shipment (copy invoices or certified computer schedules) for 100 per cent of the credit insured value. The remainder is paid on the average date of payment by the individual exporter's customers.

●

A SHARP attack on the black economy has been made by the National Federation of Self Employed and Small Businesses. Preventive action must be taken to stop it growing, the federation believes.

The black economy, says Brian Prime, the federation's national chairman, "undermines the honest entrepreneurial initiative in creating a lasting small business that will produce new jobs."

He also argues that the self-employed are not the perpetrators of the black economy—"they are the victims of it." The federation's legal protection scheme for members had shown that when adequate cover is provided to counter unwarranted Inland Revenue investigations, the honest trade won. "We have saved members over £2.5m, where investigations were made for more 'hidden' tax, and it was proved beyond doubt that no tax had been evaded."

TECHNOLOGY

A broader base to product exposure

EASTMAN KODAK, of the US, faces two challenges. One is the global marketing of consumer film by the Japanese which has caused write-offs and job losses. The other, a sea-change in technology, is the threat to film of electronic image storage and display.

Japanese companies Canon, Fuji, Konica, Matsushita, Nikon and Sony have all demonstrated still video cameras which can produce 10 x 8 inch colour prints that most consumer users would find acceptable. The cameras use a thumbnail-sized CCD (charge coupled device) that records the image and reads it out line by line, in a fraction of a second, into a tiny, on-board magnetic disc. Back at base, the disc is played into a TV set to see each still image, or a colour print can be made. Currently, these cameras can cost $3,000 and printers twice as much. But with volume production, these figures are bound to reduce.

In June, Kodak revealed a similar camera called Megaplus, aimed at taking this technology into production-line applications for manufacturing industry. The Megaplus has a definition four times better than any competitive device, Kodak claims. No price is yet known.

Faced with a twin-pronged attack on its traditional market, Kodak has diversified into the business systems area, and recently acquired Verbatim of California which makes optical discs, a new competitor with film in the mass image storage market. Kodak has also recently purchased Atex (electronic publishing systems), Diconix (ink-jet printers), and Eikonix (digital cameras).

Kodak already liaises closely with Digital Equipment Corporation (DEC) for its computer needs and a few days ago announced a joint agreement with Philips (Holland) and DuPont Optical Company (US) to co-operate in 14 inch optical disc standards. More such liaisons will follow, says Kodak.

So although Mr J. W. Prezzano, Kodak's general manager for photographic products believes film "will remain the dominant image medium for a very long time," the corporation is clearly hedging its bets.

Kodak's quick answer to inquiries

Geoffrey Charlish, recently in Washington, explains how the US film manufacturer's image management system solved serious paperwork problems at National Flood Insurance

KODAK'S FIRST major thrust into the world beyond film is a document management system which is an amalgam of microfilm storage and electronic image processing.

KIMS (Kodak Image Management System), converts photographic images of documents held on 16 mm film into electronic digit streams so that they can be seen on any number of electronic terminals along with other, computer derived data. Alternatively, the images may be sent to remote places, or may be printed out.

The first system is in action at Computer Sciences Corporation (CSC) near Washington to manage the US National Flood Insurance Program (NFIP). Before the system went into the CSC office in Lanham, Maryland, there was what project director Bob Scheiser describes as "serious paperwork."

NFIP, which manages $100bn of flood insurance, has to cope with about 20,000 letters and 80,000 phone calls a month from policy holders with questions. So even two or three minutes saved on an enquiry produces substantial reductions in the use of manpower.

Previous figures bordered on the absurd. For example, although it might take only 15 minutes or so to deal with the substance of an enquiry, it could take hours or even days to find the file. Today, the stacks of files (which could have formed a pile six times the height of the Empire State Building) have gone. Also gone are the clerks who handled them.

CSC, a computer services supplier, provides full service as a property insurer, with policy and claims administration support. The US Government sets rates and assumes the underwriting risk.

Kodak's new system is aimed at organisations with large numbers of original documents like cheques, insurance applications or drawings that have to be looked at from time to time, perhaps in response to an enquirer's telephone call or letter.

The documents are microfilmed as soon as they are generated and are automatically indexed by machine-readable codes on the film. At the same time, prime information about them is manually keyed into a mainframe computer data base.

The 16mm film is stored in *four-inch-diameter cassettes* in an autoloader, basically a matrix of "pidgeon holes" from which any cassette can be extracted by a robot mechanism. Then, a frame can be found, scanned electronically, and shown on a screen.

The average total access time is 45 seconds. Basic data and accumulated notes about the document, called up from the mainframe computer, can be seen at the same time on a split screen. After solving the query, any new data on the case can be keyed back into the mainframe.

The essence of KIMS is fast image transmission. The image digit stream can be sent to several terminals, over lines to remote locations, put on to optical disc, or printed out. To link the equipments, Kodak has developed its own communications network (see diagram).

With microfilmers working at 1,200 documents an hour per operator, it took several months to film 6m of the 15m existing documents. The other 9m items are relatively inactive and are now in cheap warehouse space elsewhere. Over 7,000 sq ft of city centre floor space have been saved.

The NFIP installation is one of four in the US that Kodak has up and running. Although it will not reveal the other three customers for the time being, it is understood that they are in government and insurance areas.

Though Paul Artlip, the KIMS program manager, acknowledges that Kodak is still seen as a camera company, it has in fact been quietly changing in the past two or three years, with a strongly growing emphasis on software in the new Commercial and Information Systems Group.

"We used to employ chemists" says Kodak's John Lacey, general manager of Business Imaging Systems Division and a vice president of Kodak Corporation. Now, it is electronic engineers and software writers."

The corporation has been assembling the expertise to design and make the necessary components for systems like KIMS, by acquisition of suitable companies and by cooperation with others.

But it has also been developing its in-house skills, notably in software, where there are now 160 writers on KIMS alone.

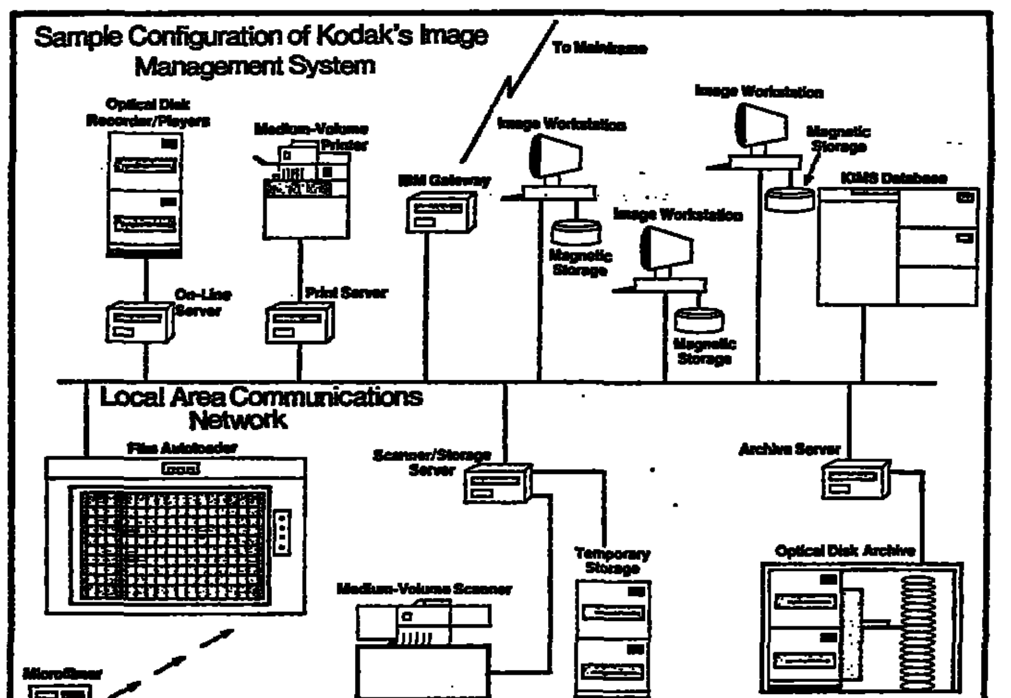
Significant among the acquisitions has been Verbatim, which offers a 14 inch non-erasable optical disc system able to hold the equivalent of 100 four-drawer filing cabinets of paper. The system is available with KIMS and is likely to be used where a legally acceptable true facsimile of documents is not essential.

The documents would be scanned as before, but the resulting digit stream would be recorded as microscopic pits by a tiny laser beam in the same basic way as gramophone records. A similar beam reads the pits as needed to reproduce images on the screen. Kodak foresees applications in finger-print recording, the storage of computer-aided design images and map recording, among others.

The company also revealed in Rochester recently that it has developed a 3.5 inch disc that combines thermal, magnetic and optical technology to give an erasable medium able to hold as much data as 138 floppy magnetic discs. Evaluation units will be available next year, with production in 1988.

Kodak, for obvious reasons, has a commitment to film. It believes "many years" will pass before images can be as cheaply and accurately recorded on anything else, although, says John Lacey, "we will not be putting our heads in the sand."

Only 4 per cent of documents in the US are on microfilm so Kodak sees a big, but unpredictable market. Present KIMS systems cost between $0.5m and $1.0m, but systems for smaller companies are expected soon.



Why telecoms should tune in to business

Jane Rippeteau reports on calls for more emphasis to be placed on making electronic services easier for customers to use

ELECTRONIC MAIL terminals are moving onto executives' desks at a steady clip. But how many managers really want this capability? How many find it helps them conduct their business?

The shortcomings of electronic mail include no easy way to assign priorities, said Alan Willsher, group director of telecommunications marketing support for IBM Europe, in London recently. Among, say 20 different messages arriving in a manager's machine overnight, he said, there is "no way to sort it the way you quickly can sort through written mail" to find "where it's from, perhaps how important it is to read now."

IBM believes that resolving such limitations—in other words, servicing customers' specific needs—is paramount to future success in the technology-driven businesses emerging from the union of computers and telecommunications, according to Willsher, who spoke at a recent telecommunications conference sponsored by The Financial Times.

He noted that in this example, "We need a way to label the electronic information, by purpose, priority, perhaps content and an abstract" in ways that could give users value beyond what they would get from handling written mail.

The contention that success in the changing telecommunications business hinges on an ability to shift from a technology-driven to customer-driven marketing approach was a popular one at the conference.

"The overall message that we're getting from customers is more like a cry for help," said Robert J. Eckenrode, executive vice-president of Nynex Corporation, the regional Bell telephone operating company for the New York and New England area. "They are excited about this brave new world of choices, an unlimited assortment of products and services. But what most people are looking for is integrated solutions."

IBM and Nynex, of course, come at the market from different origins—computing and telephone network operation. But these businesses are merging as increasing amounts of computing power are brought to bear on the management and operation of telephone networks.

Computerised telephone switching, for instance, makes possible *not only more efficient* transmission of voice and data, but also permits new services, such as simultaneous transmission of voice, data, text and limited video on existing telephone lines. And because transmission can be done in the digital bit language of the computer, it can be manipulated to provide so-called value-added services, such as electronic mail, advanced call features, or specialised information networks.

As a result, noted Francis McInerney, vice president of Northern Business Information, a US market research group, the business today is "to manage bandwidth, to manage the bit stream."

Over the last five years, he said, the business has evolved from one of "selling boxes, stand-alone, discreet services and products" to one in which "the primary differentation is in the higher value-added areas of sales and service." He includes in that not only new services, but customer-related performance such as response time when equipment needs repair and logistics for replacing computer line cards that alter equipment functions.

McInerney warned that some companies are ignoring this shift, and cited Siemens of West Germany as an example of a company with "great technology and great manufacturing" but an inadequate strategy for moving into the high-margin area of selling and servicing complete, or "turnkey," voice, data and value-added networks.

Not surprisingly, some executives, particularly those in regulated environments, privately took issue with the extent to which equipment suppliers can sensibly migrate toward the service end of the market.

"It's an interesting alternative, but that would really be changing the nature of our company," noted John Meurling, vice-president, business development at Sweden's LM Ericsson, one of the world's top suppliers of telephone switches and other telecommunications equipment. He added, however, that "as the PTTs (telephone operating companies) change and get into unregulated businesses, we have to change with them, and be more alert to what the customer requires in a competitive situation."

At Siemens, West Germany's telecommunications equipment supplier, senior director Herbert von Deimling defended what he called his company's concentration on "future technologies and software features."

Siemens recently lost a chance to enter a sizeable share of the US public switching market through a joint venture with GTE which, with 16 captive telephone operating companies, has about 11 per cent of the business, according to Northern Business estimates. With an 80 per cent holding in a joint venture company, Siemens settled for a deal involving only GTE's switching business outside the US, and transmission worldwide.

The two companies could not agree on which of their flagship central office switches to supply. Such machines are extremely expensive to develop and upgrade. McInerney cited this as a dangerous example of a company (Siemens) being so wedded to a technology that it gave up an important commercial link—here, one promising a lucrative after-market of software upgrades, servicing and additional hardware.

"There's nothing to be gained by jumping up and down and saying 'My switch is better than your switch,'" he said, advising that success hinges on supplying the systems and service that will "capture the bandwidth demand of your customers."

UK NEWS

Higher incomes fuel Christmas spending spree

BY JANET BUSH

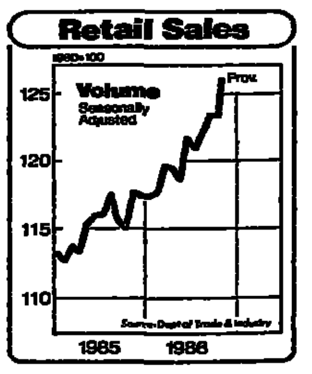
THE SURGE in British consumer spending accelerated sharply in November as the Christmas shopping season got under way.

Retail sales reached a record volume, up 2.35 per cent on the previous month, according to provisional, seasonally adjusted figures released yesterday by the Department of Trade and Industry. October sales had held unchanged on September's record level.

DTI officials said sales were buoyant across the board. They noted that spending had been growing strongly for some months but attributed some of November's sharp rise to the normal pre-Christmas shopping spree. Sales volume jumped between October and November last year as well.

The boom is being fuelled by a sharp increase in the real disposable incomes of those in work, coupled with the general availability of credit. Most City of London economists expect that the Chancellor of the Exchequer will find scope for tax cuts next year, which would give further impetus to demand.

There is concern that the strength of consumer spending could stoke inflation and that, until manufacturing industry responds more effectively to domestic demand, British consumers will continue to buy more imports, contributing to a further deterioration in the UK trade balance.



Mr Nigel Lawson, the Chancellor, said in his Autumn Statement that he expected both earnings and consumer expenditure to rise less in 1987 than in 1986. Real disposable income had probably grown by some 4 per cent this year, and there had been a rise of almost 5 per cent in real consumer spending, he said.

Over the past three months, the best guide to the underlying trend, sales volume was 2 per cent up on the previous three months and 7 per cent up on the corresponding period last year.

The provisional unadjusted value of sales was 10 per cent higher than in November 1985.

The DTI said its index of retail sales volume (1980 = 100) was set at a provisional 126.1

Rover plans £100m shopping complex at site of truck plant

BY JAMES BUXTON IN GLASGOW

THE Rover Group yesterday lodged a planning application to create a £100m shopping and leisure centre out of the defunct Leyland vehicle plant at Bathgate, in West Lothian, central Scotland.

The complex, which would use the entire 1m sq ft factory, would be by far the biggest out-of-town shopping and leisure centre in Scotland. It would contain two major department stores, a variety of other shops, a multi-screen cinema, a swimming pool and an ice rink.

Located close to the M8 motorway almost equidistant between Edinburgh and Glasgow, it would be within an hour's drive of 3m people. It would create 2,400 full-time and 1,500 part-time jobs in an area where male unemployment stands at 25.8 per cent.

Rover, which made the last 900 workers at the Bathgate plant redundant in July, is making its planning application without having a property developer or potential tenants lined up. If permission is granted, it hopes to lease the site to a developer who might want to alter the outline plans submitted by Rover. The company's principal contribution would be the land. It would not be funding the project.

Mr Graham Day, Rover's chairman, said in Glasgow yesterday that there had been contacts with potential developers and retail tenants but no one had made a firm proposal. He claimed that it was inevitable that Scotland's central belt would sooner or later acquire a large out-of-town shopping and leisure centre.

He said that the group had considered proposals for using the Bathgate site for some form of manufacturing but had received "no realistic proposition." There had been requests for "parcels of space in the plant" – but nothing had been suggested that was of any practical scale in the recovery of employment levels and our responsible use of the asset.

"We had two alternatives: do absolutely nothing or take an initiative. If people would prefer that we do nothing with the site, I'd be grateful to be so advised."

Peat Marwick reports growth

BY BARRY RILEY

PEAT MARWICK MITCHELL, Britain's second-largest firm of chartered accountants, has reported record growth in fee income of 29.9 per cent in the year ended September, with a total of £128.7m.

This means that, when the firm merges with KMG Thomson McLintock in the new year, the combined firm will start with a fee income base of around £200m, making it by far the UK's largest. At present Coopers & Lybrand is narrowly the largest UK firm.

A parallel announcement by the global firm Peat Marwick International disclosed a 15.7 per cent rise in accountancy income in dollar terms to $1.45bn. PMI is also second-largest in the global rankings, but the forthcoming merger with KMG will allow it to leapfrog well ahead of Arthur Andersen, the current global leader. Coopers & Lybrand is third in the global tables.

In the UK, Peat Marwick's total staff grew by 9.6 per cent to 5,150. Fees per professional staff member expanded by 19 per cent. The fastest-growing sector was management consultancy, where revenue jumped 40 per cent and represented 13 per cent, against a previous 12 per cent, of total income. Taxation maintained its contribution at 13 per cent.

Auditing and accounting continued to dominate with 68 per cent of income, against 69 per cent. During the year the firm gained the audits of Channel Tunnel Group, Bunzl, Parker Pen, Clark Shoes and Credit Suisse First Boston.

Mr Jim Butler, the UK firm's senior partner, yesterday attributed part of the acceleration in growth to an improvement in the business mix, with an increase in the chargeable hours worked by high-rated specialists.

The global firm's chargeable hours grew by 6 per cent to 34.8m and worldwide personnel increased by 7.7 per cent to more than 32,100.

Eric Short looks at implications of the Courage-Elders case

Pension ruling landmark

HANSON TRUST, the UK industrial holding company, has been thwarted in its plans to strip out the surplus assets from the Courage pension schemes on the sale of the Courage group of companies to Elders IXL, the Australian conglomerate.

This reaction follows last week's High Court judgment in London by Mr Justice Millett on the Courage pension schemes.

The implications of the judgment, however, are far more fundamental. They relate not only to the problems of pension scheme surpluses but also to the structure of pension schemes.

Mr John Quarrell, a pensions lawyer from Nabarro Nathanson, which acted for Hanson Trust, said at a pension conference last week: "It is without doubt the most important case that there has been on pension trusts, their construction and interpretation."

Company pension schemes in the UK are invariably set up under a trust with the trust deed and rules in control of the scheme.

Conditions under which pension schemes operate will change with time. Pressure on pension schemes has accelerated, and companies and trustees need to have powers to amend the trust deed to take account of changing environments.

The two biggest pressures on pension schemes are the high surpluses built up within them and the problem of reducing those surpluses and the fears that a predator company would strip out the surplus on a successful takeover.

There have been continuing arguments over the ownership of the surplus. Trade unions have always claimed that pensions are deferred pay and that the assets in a pension fund are for use of the pensioners and members.

Resolutions were passed at this year's Trades Union Congress to this effect and that surplus should be used to improve benefits before going back to the employer in the form of contribution holidays or direct refunds.

Asset stripping fears by a predator have resulted in companies using their amendment powers to change the trust deed to protect the rights of members and to make conditions difficult for a future employer to take out any surplus – the so-called poison pills.

Imperial Group, on receipt of an unwanted bid from Hanson Trust in connection with the Courage pension funds, first gave both itself and its employees a contribution holiday to use up the surplus – a holiday that will last at least 10 years. This move enabled Imperial to boost its profits forecast in its unsuccessful attempt to fight off Hanson Trust.

Secondly, it closed the funds to new entrants, guaranteed pension increases of at least 5 per cent a year, or the Retail Price Index (RPI) if less, and took other measures.

The upshot of these moves was that Hanson, in selling Courage to Elders, had to resort to unusual practices to use the surpluses in the Courage pension schemes.

It proposed to split the scheme in two parts – the existing employees, who would be passed on to Elders, and the pensioners, deferred pensioners and a few remaining employees, who would be retained by Hanson.

Under these arrangements Hanson would retain all but £10m of the £80m surplus in the schemes. The problems arose here.

By using this method, Hanson could have obtained the benefit of the surplus either by a direct refund of assets, paying the tax charge or, indirectly, by reopening its retained scheme to some of its other employees, thereby continuing the contribution holiday.

Hanson has continually stated that it does not voluntarily strip out assets from the pension schemes of companies it acquires. So presumably it intended to adopt an indirect approach. It also emphasised that members' promised benefits would be met.

There was strong reaction, however, from the Courage employees, pensioners and the trade unions, mainly the Transport and General Workers Union. The employees wanted their contribution holiday to continue; pensioners wanted to ensure pension increases would be made if the RPI went above 5 per cent.

The employees and pensioners were suspicious of Hanson's moves, particularly as the splitting of funds is widely used as an asset-stripping device in the US.

However, to achieve its aim, Hanson had to change the name of the scheme from Imperial Brewing and Leisure to its own, and when direction was sought in the High Court by the management committees this move was rejected.

Mr Justice Millett confirmed that the surplus belonged to the employer, itself a revolutionary pronouncement, and that employees had no right to a contribution holiday – the question of rights to pension increases appears to have been overlooked.

The judgment has highlighted the importance of properly drafted trust deeds with particular attention being given to the powers of amendment. Pension lawyers feel that the majority of trust deeds are badly drafted. It has also settled the question as to the ownership of pension scheme surpluses.

But it will give added power to those arguing for a pension scheme to be set up under a properly drafted Pension Act, which would define the rights of employees and pensioners, rather than under Trust Law.

Hanson joins City taskforce

BY DAVID GOODHART

HANSON TRUST, the acquisitive UK conglomerate, has agreed to join the taskforce set up by the Confederation of British Industry (CBI) to review relations between industry and the City of London.

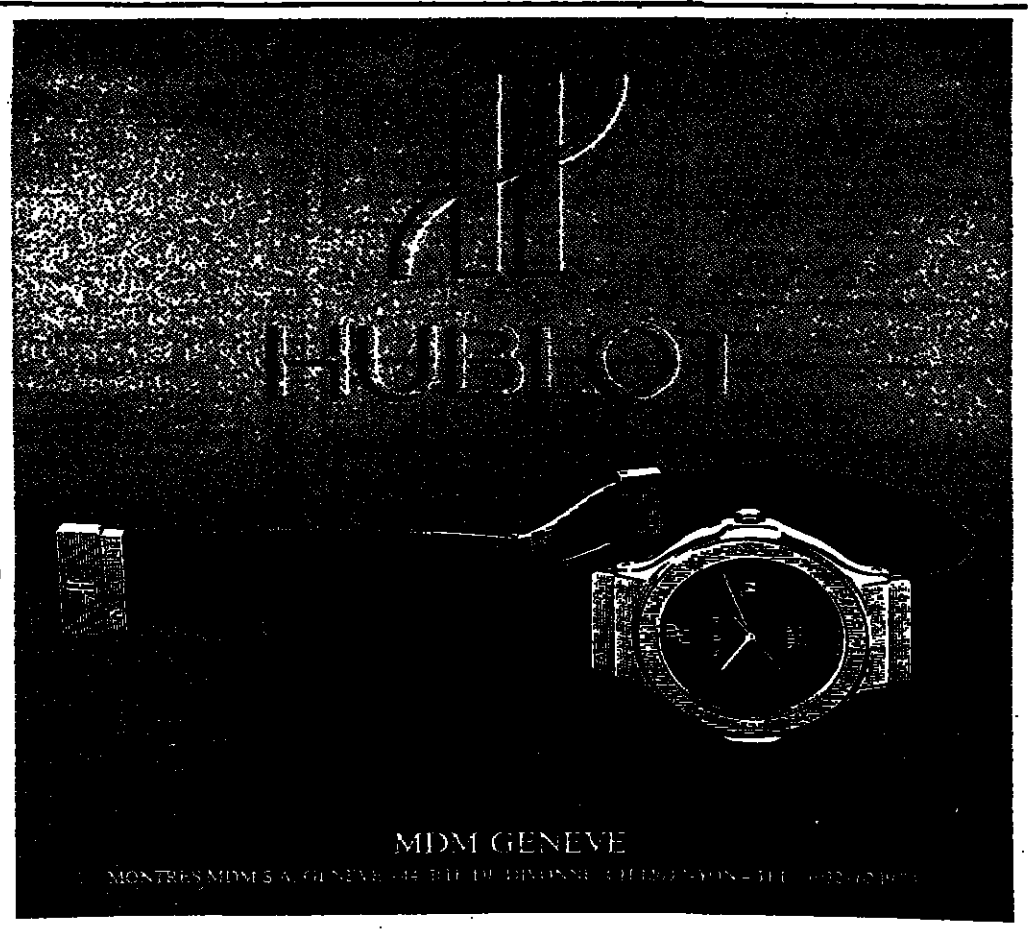
The taskforce, which will operate initially for one year, was prompted by the hostility expressed by some industrialists towards the City at the last CBI conference.

However, when the terms of reference and the initial membership of the committee were announced at the end of last month, there was some criticism that the views of several of the companies represented – such as Allied-Lyons, Plessey and TI Group – would be influenced by the fact that they had recently been the subject of hostile bids or bid speculation.

The inclusion of Hanson Trust, a takeover specialist which is highly regarded in the City, should help provide a wider cross-section of opinion from the industry side of the committee.

The CBI said yesterday that it was keen to hear the views of acquisitive companies as well as those which choose to grow by other means. However, the organisation stressed that it had from the start planned to invite Hanson Trust and its inclusion was not the result of pressure from any quarter.

The Hanson representative will be Mr Martin Taylor, an executive director of the company since 1976, who already sits on the CBI Council



UK NEWS

Editor of struggling Today resigns

MR Brian MacArthur, has resigned as editor of Today, the colour tabloid daily launched by Mr Eddie Shah, Raymond Snoddy writes.

Mr MacArthur, the founding editor, plans to rejoin the Sunday Times as executive editor, probably in January.

Since the spring launch of Today not only the ownership but most of the top management has changed. Mr Shah is no longer in day-to-day control, Mr Terry Cassidy, the managing director, leaves at the end of this month to run Lonrho regional newspapers interests and Mr MacArthur will leave soon after. It is believed that a new editor of Today, has yet to be chosen.

Circulation of Today rose to 370,000 following the recent introduction of its new game, Scoop, but has slipped back. The paper now claims a circulation of 337,000, a long way from financial viability.

□ BABCOCK POWER, the boiler manufacturer based in Renfrew, central Scotland, said it was cutting its labour force by about a quarter. It laid most of the blame on delays in the Central Electricity Generating Board's power station ordering programme. Some 620 people out of 2,570 are to be made redundant at Renfrew, and a further 95 out of 736 people are to go at Babcock Power's marketing and design centre in London.

□ OIL PRODUCTION from the North Sea last month fell by nearly 200,000 barrels a day to 2.47m b/d, the lowest monthly average this year with the exception of June, according to figures published yesterday by stockbrokers James Capel.

□ THE BRITISH Indigenous Technology Group, which represents the ailing UK offshore oil supplies industry, is stepping up its efforts to get tax breaks for oil companies operating in the North Sea.

□ THE NATIONAL Union of Tailors and Garment Workers has called on the European Commission to halt the practice of making secret agreements with companies to restructure the industry.

□ ABBEY NATIONAL Building Society staff who are assessed as "effective performers" will get a guaranteed minimum pay rise of 4.1 per cent next year under the society's radical performance-related pay system.

Cost of water pollution 'may reach £200m'

BY ANDREW GOWERS

THE USE of fertilisers on farms is causing an increase in water pollution which may require an expensive clean-up in the next 20 years, according to an authoritative report published by the Environment Department yesterday.

The study, produced by a group comprising representatives of the Government, farmers, water authorities and fertiliser manufacturers, concludes that total capital expenditure of £200m and annual current spending of £10m would be needed in 20 years' time to keep nitrate concentrations in all public water supplies within EEC-agreed limits. These call for concentrations to be kept below 50 mg of nitrogen oxide (NO3) per litre.

Even to keep nitrate concentrations below 80mg/litre, as currently permitted by the British Government, would require capital expenditure of £40m and running costs of £2m per year within 20 years, the report says.

It suggests consideration of a range of options to control nitrate pollution, including the control of fertiliser use in especially endangered areas by the creation of protection zones.

These might include parts of eastern and central England, which have seen the development of particularly intensive arable farming methods over the last few years.

The report's findings are bound to cause serious concern to the farming and fertiliser industries, since they could lead to a reduction in fertiliser use and a resulting increase in production costs for farmers.

They follow a critical study by the Paris-based Organisation for Economic Cooperation and Development (OECD), which said that water pollution from farms threatened to become a major environmental problem which might cause unacceptable health hazards.

Publication of the report will also spark off a vigorous debate between the various industries involved over who should pay for the possible clean-up. At present, almost all the costs resulting from nitrate pollution are borne by water consumers.

Nitrate in Water: a report by the nitrate co-ordination group; £6.30 from HMSO.

Companies pledge share of profits to community

BY FIONA THOMPSON

A TOTAL of 67 leading companies yesterday agreed to pledge ½ per cent of their annual pre-tax profits to community causes in the areas in which they operate.

The companies are all founder members of The Per Cent Club, launched last night by the Prince of Wales at a reception hosted by the Prime Minister at 10 Downing Street.

The joint chairmen of the club, Sir Hector Laing, chairman of United Biscuits, and Mr Mark Weinberg, chairman of Allied Dunbar Assurance, set the top 200 UK companies as their target.

More than half have been approached so far, and of these more than 50 per cent have agreed to join. The companies can choose to contribute either the ½ per cent of pre-tax profits or 1 per cent of gross dividends (pro rated to UK profits).

The top 200 companies give a total of about £35m a year to charity. This would rise to £150m if they contributed ½ per cent of pre-tax profits. The club's ultimate aim of 1 per cent would raise £300m.

There is no central fund, and the club will leave it to the companies to decide how to spend the ½ per cent.

"We hope the majority of the top 200 companies will have joined by the end of next year," said Mr Weinberg. "Our aim is to create a momentum. If we get 80 or 90 companies, then it will be very difficult for those who are not members to stand up. Quite honestly, that is what we want."

Tories try to calm row over Awacs

By Peter Riddell and Lynton McLain

THE UK GOVERNMENT yesterday acted to rally Tory backbench opinion behind its expected announcement on Thursday that Britain will buy Awacs aircraft from Boeing of the US rather than GEC's Nimrod system.

Several Tory MPs who signed a House of Commons motion backing Nimrod were yesterday summoned individually by Conservative Party whips (stewards) and warned of the dangers of rocking the boat in such a sensitive pre-election time. A whips' message was: "We're ahead in the opinion polls and have got Labour on the run; don't ruin it."

Despite pleas from supporters of Nimrod for a delay and a new assessment, the Government seems determined to announce a decision this week.

Ministers hope that while there is bound to be a fierce row the issue will be forgotten by the time the Christmas recess is over. They want to avoid a repetition of the prolonged row a year ago over the future of Westland Helicopters.

Mr Peter Levene, Chief of Defence Procurement, told the all-party House of Commons public accounts committee yesterday that the Nimrod programme was "one of our worst experiences in the Ministry of Defence."

"The problems with Nimrod are due to a considerable extent to problems within the Ministry of Defence as well as with the contractor," Mr Levene said.

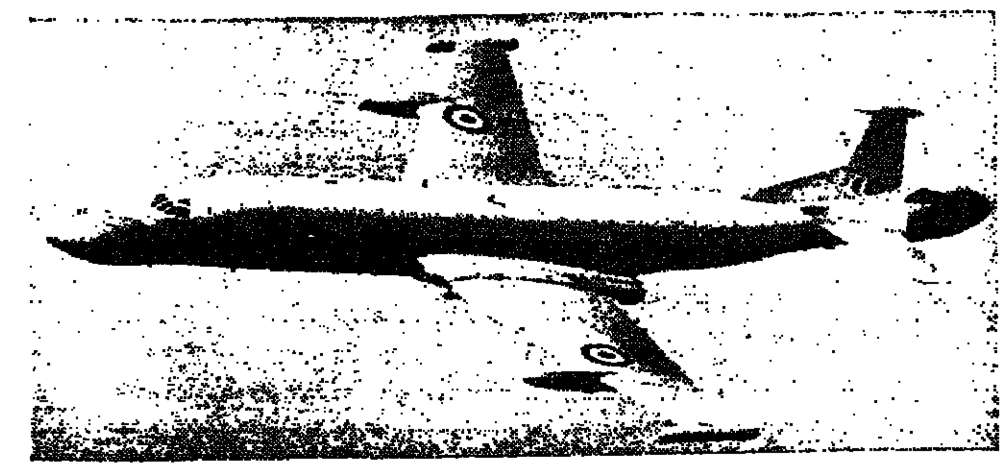
He said Nimrod had pointed to three lessons for the Ministry: the danger of cost-plus contracts, where the contractor is paid a sum on top of its costs; the danger of the Ministry as the customer acting as a project manager, and the danger of not having one company as the prime contractor. In future where the Ministry saw a programme going radically wrong "we should consider cancellation".

Conservative business managers believe that the hard core of backbenchers backing Nimrod may be only 20 to 30 despite the vocal protests by ex-ministers Mr James Prior and Mr Cecil Parkinson.

Mr Prior is chairman of GEC and Mr Parkinson's constituency includes GEC's Radlett factory which would be seriously affected by the rejection of Nimrod.

David Buchan reports on the contest between Boeing and GEC

'Spies in the sky' do battle



GEC Nimrod: £1bn has been spent on it already

BRITAIN'S need for a new airborne early warning (AEW) system is as unquestioned as the choice of what it should be – the British Nimrod or the American Awacs – is controversial.

At present the Royal Air Force has six Shackletons, based at Lossiemouth in north-east Scotland, to act as its "spies in the sky" over a huge area extending beyond the UK to the North Sea and up the north-east Atlantic to Iceland and across to the western approaches, which Nato counts on Britain to patrol. Their espionage capability is not impressive in the modern era of fast, terrain-hugging Soviet aircraft.

The Shackleton looks like everyone's mental image of a Second World War bomber. It has been in service far longer than the 14 years the RAF has used it as an AEW aircraft. Its ancient, US-built radar oftens fails to spot aircraft, let alone track them. It has little capacity to process data and none to transmit that data to the ground. Any replacement AEW system would be an improvement – the question is which would be best.

The final choice: GEC Nimrod or the Boeing Awacs are the two options that lie on the UK Cabinet table this week. In the competition which the *Ministry of Defence* has run since last March five other contenders were eliminated. Two US contenders had an initial chance, but the Grumman Hawkeye had too short a range, and the Lockheed P-3 was not sufficiently advanced.

The MoD has picked Awacs as the clear winner in terms of cost-effectiveness. The Government this week will endorse or reject this choice. These are the criteria on which the ministry reached its decision:

● **Performance:** The Awacs system apparently meets all the main criteria in target detection, tracking and signal processing over land and sea laid out in 1976 by the RAF in their classified Air Staff Requirement (ASR) 400. By contrast, the Nimrod AEW evidently so still picks up many false targets, particularly over land, that its radar screens are too cluttered to be of much help to operators.

However, GEC has argued that with the introduction this year of a new computer and of a "vehicle correlator" (which blocks out slow-moving targets such as road traffic) it can soon get its system up to the ASR 400 standard.

● **Price:** GEC has the advantage in current or future cost terms, because nearly £1bn has already been spent on items which include 11 Nimrod AEW airframes built by British Aerospace. The UK company's confidential bid to install its radar and deliver 11 AEW systems to the RAF is reported to be a shade under £500m.

Boeing, by contrast, would charge *"several hundred million pounds"* more to provide the UK with six or eight Awacs aircraft, say MoD officials.

But the price differential is less than the 2-to-1 ratio originally estimated, for two reasons. GEC has somewhat inflated its price to take account of the fact that the MoD has only been ready to agree to fund 50 per cent of current development costs of Nimrod, with the rest payable on delivery, because of the risk still inherent in the UK project.

Second, the unit price of an Awacs aircraft will come down by between 3 and 5 per cent if, as now looks likely, France joins Britain in joint procurement of the Boeing system.

● **Delivery:** GEC claims it could deliver three workable Nimrods by the end of 1987 and the other eight within two years. Boeing would start deliveries in 1989.

● **Risk assessment:** Given the difficulties of comparing a proven system (the Awacs entered service with the US air force in 1977) with one still under development, this has been a crucial part of the evaluation. The MoD has had to make a judgment about what the Awacs *can* do and what the Nimrod *could* do.

Its verdict is that it is worth paying more for the low risk Boeing. Boeing would still have to introduce new communications links and refuelling probes into a British Awacs systems to satisfy the RAF. But these are regarded as minor considerations when weighed against the uncertainties of continuing the Nimrod gamble.

The Nimrod project, even at its inception in 1977, was always a gamble. It was born of impatience with other European Nato countries for procrastinating for two years over their eventual joint purchase of 18 Awacs aircraft in 1978. The other key factor was the then Labour Government's desire to provide jobs in the British high-tech industry.

The original estimate that 11 AEW Nimrods would be flying by 1982 at a cost of some £820m proved fanciful. This would have given GEC only five years to develop an AEW system comparable with that which has taken Boeing and Westinghouse, maker of the Awacs radar, 15 years to develop.

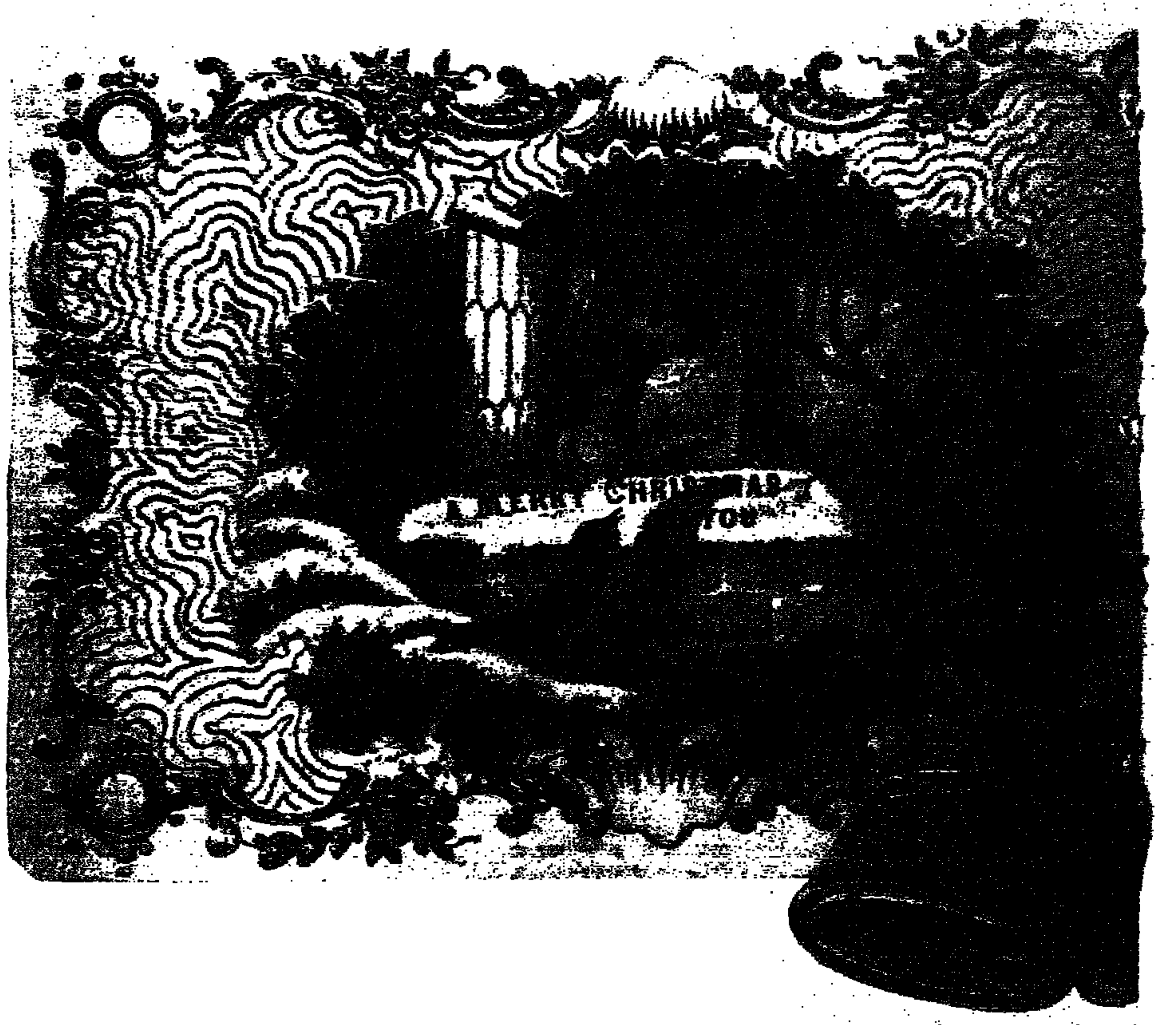
As it is, GEC, for all the faults levelled at its management, deserves some credit for having got so far in nine years. But impatience, understandable on the part of the MoD and the RAF so deceived in the original feasibility forecasts about Nimrod, now looks like putting an end to the GEC project.

For Boeing, the sale of six or eight Awacs to Britain would be a tremendous coup, particularly if it is accompanied by the sale of three more to France. The US company will have established a virtual world monopoly in top-flight AEW systems, having already sold 34 Awacs to the US air force, 18 to Nato and five to Saudi Arabia.

Though there may not be too many more countries able to afford Awacs, Boeing would have the satisfaction of knowing that it had *made a sale in the one country (outside the Soviet Union)* which had a rival home-made system.

The RAF will count itself the winning side if this week's Cabinet decision goes Awac's way. The service championed the US option before GEC won the Nimrod contract and since that contract was opened up to competition last March. Indeed, latterly, GEC has seen itself fighting the RAF as much as Boeing.

The obvious loser, if Nimrod is rejected, will be GEC, which will suffer a considerable blow to its pride although not necessarily to its pocketbook. It would lose the £25m of its own money it has put into Nimrod since March. But continuing an increasingly tightly scrutinised contract might not have brought much future profit, except perhaps in export spin-offs. Ironically, some of the 1,500 GEC Avionics jobs that GEC claims will disappear if Nimrod is rejected might be saved through Awacs offset work from Boeing. In other fields, GEC Avionics is one of the better UK exporters to the US, including to Boeing.



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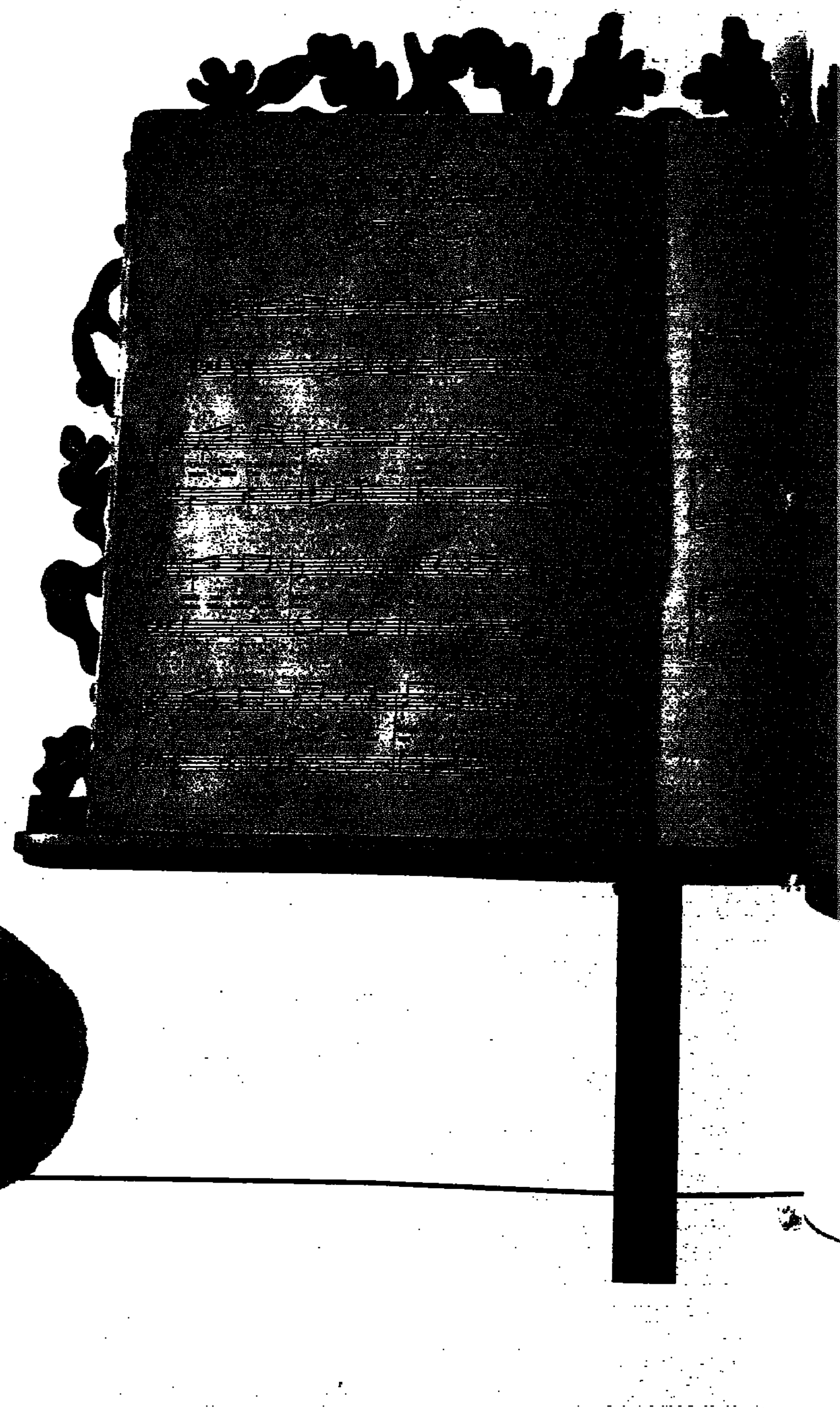

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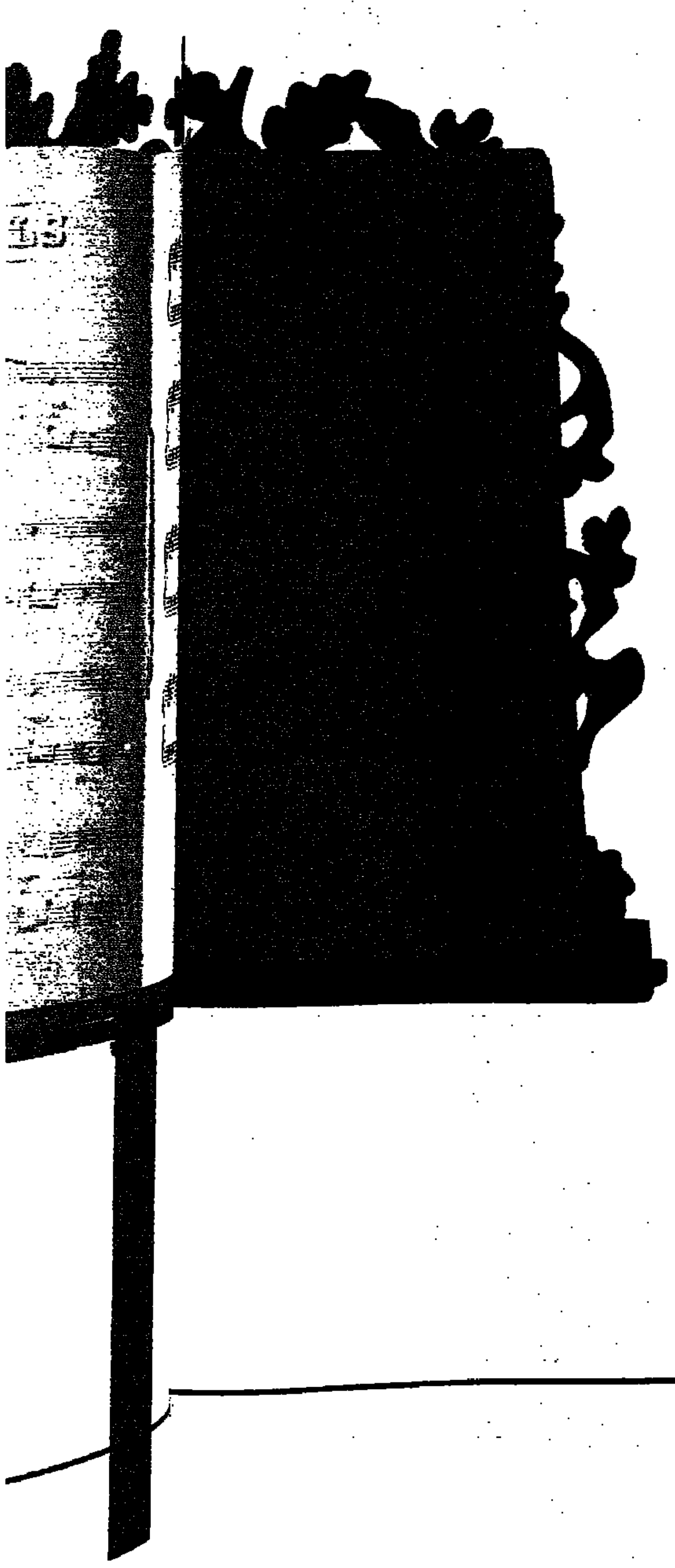
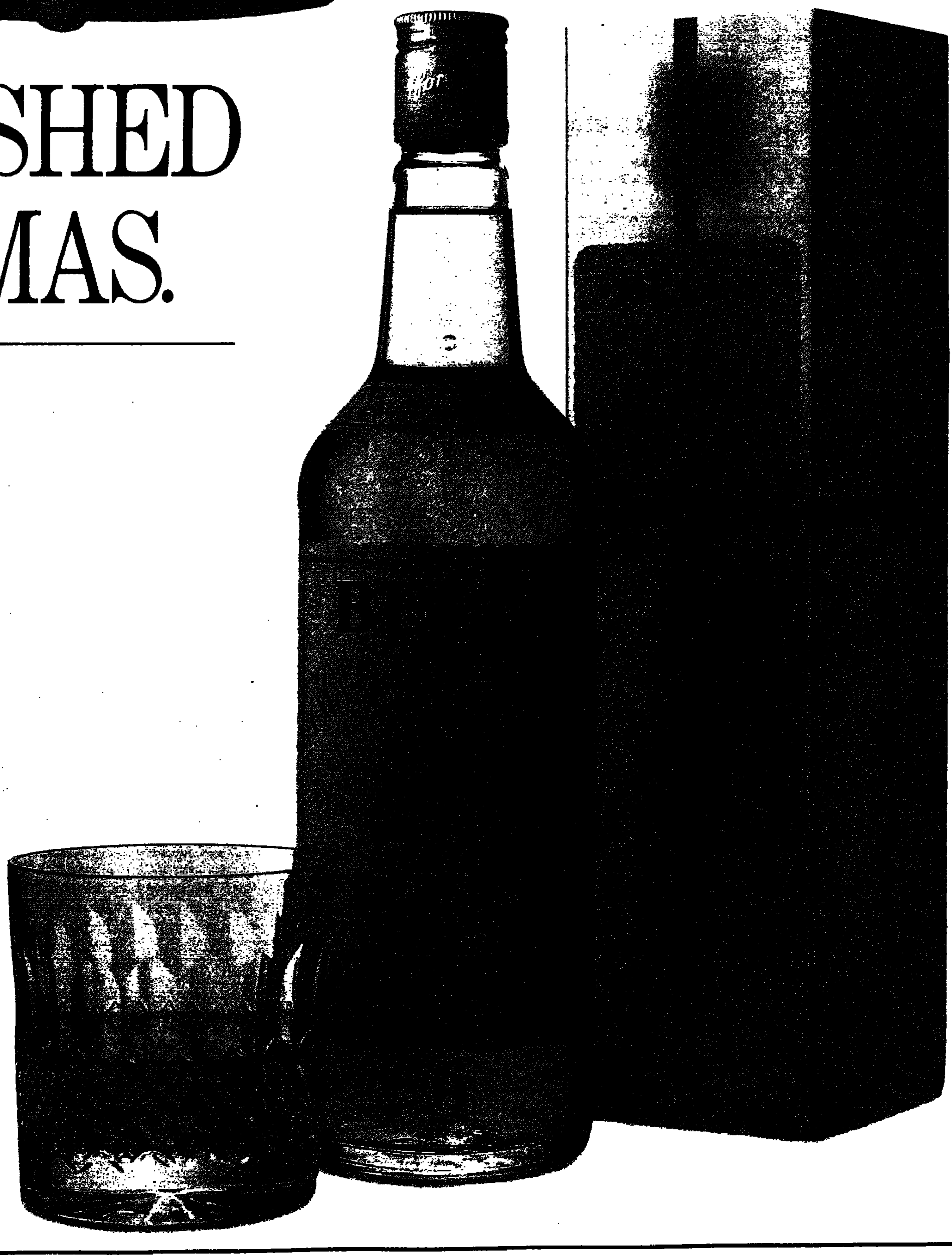




UK NEWS

Tax cuts 'do not cause people to work harder'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE Government's claims for the beneficial effects of tax cuts on incentives in the labour market have been dented by an officially commissioned report from a leading academic economist.

The exhaustive study, commissioned in 1979 by Sir Geoffrey Howe when he was Chancellor of the Exchequer, has only just been completed. Its main conclusion, following a detailed review of the behaviour patterns of several thousand households, is that there is no evidence that, on average, tax cuts encourage people in employment to work harder or longer.

The work, which involved extensive analysis of data gathered by the Office of Population and Census, was co-ordinated by Professor C. V. Brown of Stirling University in Scotland.

Although it finds that there are different reactions to tax cuts between households and individuals, the broad assessment is that the two main effects – the so-called incentive and wealth effects – broadly cancel each other out.

Lower taxes do tend to encourage women, especially those in part-time employment, to work longer hours because they will keep more of their earnings. For men on average earnings, however, the boost to their existing income provided by lower taxes tends to take precedence over the incentive effect.

The study also finds that, even for those people who are encouraged to work harder, there is little scope within their existing employment. More than three quarters of employees covered by the survey indicated that there was little opportunity for them to work extra hours because of the way in which their companies were organised.

The Treasury, which received the report over a month ago, is seeking to play down the significance of the findings on the Government's tax-cutting philosophy. Officials say that other beneficial effects of lower tax cuts – such as encouraging people to set up small companies or switch to riskier employment – were outside the remit of Prof Brown's study.

The Treasury said yesterday that the initial plans for the work had been drawn up under the previous Labour Government.

It appears, however, that the decision to go ahead with the study immediately after Sir Geoffrey had cut the basic rate of income tax from 33p to 30p was made in the hope that the results would bolster the Government's case.

Ruling on international telex calls

BY DAVID THOMAS

THE Office of Telecommunications (Oftel), the industry's regulatory body, has agreed to sort out a dispute between British Telecom and its new competitor, Mercury Communications.

The dispute is about the terms on which Mercury can connect its international telex services to BT's.

BT and Mercury have settled terms for inland telex calls but were unable to reach an agreement for international telex despite year-long talks.

The main argument between the two companies is over price. Mercury says that BT wants to charge it much the same for conveying its telex messages as normal BT customers and that this would put it at a disadvantage.

Mercury has agreements for direct telex transmissions to the US, Canada, Hong Kong and Bermuda.

Standard Chartered export finance service

STANDARD CHARTERED has formed Standard Chartered Export Finance Limited (SCEFL), to offer specialist types of international trade finance and related services, with particular emphasis on non-recourse finance in the short and medium term credit areas up to five years. Mr Michael Madden, currently a managing director of Standard Chartered Merchant Bank and a director of Standard Chartered Merchant Bank (Holdings) has been appointed managing director and chief executive of SCEFL. Mr David Millar, an executive director of Standard Chartered, becomes chairman of the new company. Mr John Davidson will be deputy chairman and Mr Joe Pannell has been appointed a director. Mr Madden is also a general manager of Standard Chartered.

★

KAE GROUP has appointed Ms Gunda Lapski to the board. She is also managing director of International Information Services (ISS), a KAE Group subsidiary.

★

Mr Ray Horrocks has been appointed a non-executive director of LOOKERS. He was chairman of Unipart, BL Cars and Jaguar Car Holdings.

★

BRITAINS PETITE has appointed its new board. Mr Peter Crook, chairman, Mr Peter Lamb (Britains) and Mr John Naylor (Petite), joint managing directors, Mr Barry Steer, sales and marketing director, and Mr Albert Shutt as a director. A finance director will be appointed shortly and Mr Mike Taylor has been appointed director of marketing for both brands.

★

Sir John Nott, chairman of Lazard Brothers and Co, has been appointed a director of ROYAL LIFE HOLDINGS from January 1. Mr D. A. Davies has been appointed an assistant managing director. Mr Roy Elms, executive vice president of the Royal Insurance Company of Canada, will become president and chief executive officer from January 1. He succeeds Mr Jean Robitaille who will continue as a director and a consultant.

★

At VALLANCES Mr Paul N. Guy has been made chief executive of the core retailing business. He was formerly deputy managing director of Amos Hinton, deputy chairman of Comet and group financial director of Woolworth. Mr Martin Vallance will be full-time chairman of the board of the retailing business. Mr Julian Vallance remains group chairman.

★

Mr Ian Stanford has been appointed managing director of 600 SERVICES, a subsidiary of The 600 Group. He was a management consultant to several leading contractors in the Middle East and UK.

★

TSB COMMERCIAL HOLDINGS (formerly UDT Holdings), has appointed three non-executive directors: Mr John Hannah Forbes Macpherson, Mr Laurence Adrian Waring Evans and Mr Kenneth Bernard Cox. They also join the board of United Dominions Trust. Mr Macpherson is a director of TSB Group. Formerly senior partner of Touche Ross in Scotland, he was appointed a trustee of TSB Scotland in 1984, and is now deputy chairman of TSB Scotland. He is also chairman of Scottish Mutual Assurance Society and director of Scottish Metropolitan Property. Mr Evans is group managing director of Benchmark Group. He is also a director of Blakeney Hotels. Mr Cox was executive director of International Commodities Clearing House.

★

RIVERS GROUP, a Sedgwick company, has appointed Mr J. N. Daniels as marine underwriter.

★

BECK AND POLLITZER CONTRACTS has appointed Mr A. W. Harvey as a director from January 1. Mr Harvey is general manager of the company's exhibition hall services operation at the National Exhiibtion Centre, Birmingham.

★

Mr Richard Ouston has become managing director of VIKING POLYPROPYLENE, the polypropylene bag and hanger-system manufacturing division of the Viking Packaging Group. He was previously commercial director and he fills the vacancy created by the appointment of his predecessor to a new main board post.

★

JOHN LAING CONSTRUCTION has appointed Mr Brian Hambridge director of planning and resourcing from January 1. Mr Gordon Hill becomes director of industrial relations on the same date.

★

ROBINSON BROTHERS has appointed Mr L. G. Fisher and Mr F. D. Robinson as joint managing directors as from January 1.

★

At MORGAN GUARANTY TRUST COMPANY Mr Guy Field will become senior adviser on February 1 on all treasury, bullion and securities business. Based in London, succeeding him as the head of Morgan Guaranty's London treasury is Mr Hendrik van Riel, vice president, currently in charge of the bank's Belgian offices treasury in Brussels.

FINANCIAL TIMES SURVEY

Tuesday December 16th 1986

Scotland

Scots are in two minds whether to be optimistic or pessimistic. The growth of electronics has helped to balance job losses elsewhere but the oil boom has been less long-lived. A majority, however, now tends to the view that further devolution to Edinburgh is needed.

The economic boost of electronics has been soured by the oil price crisis, which has hit Aberdeen (above left) particularly hard, and added to the pressures on Scottish Secretary Malcom Rifkind.

Faults in the new model

By James Buxton

A FEW WEEKS ago two hundred of the leading people in Scotland gathered at Gleneagles for the annual forum of the Scottish Council. There were industrialists, trade unionists, lawyers, bankers, university vice-chancellors, bishops, broadcasters, civil servants, politicians and many others. It was a demonstration of the compactness of Scotland that it could bring almost its entire elite under one roof, isolated from the outside world in the misty Perthshire countryside.

The conference began with pessimism in the form of a keynote address on the de-industrialisation of Scotland, by Mr Neil Buxton, an economist. It ended with a ringing expression of optimism—coupled with a pithy refutation of Mr Buxton's doleful thesis—by Mr Malcolm Rifkind, the Secretary of State.

It was only a slightly more genteel version of the conflict between the forces of optimism and of pessimism that rages daily in Scotland, where every event is felt with acute keenness, often magnified by the narrowly focused local media. Lay-offs and plant closures provoke torrents of doom-laden declarations and accusations from the pessimists. The optimists hail a decision by a foreign electronics manufacturer to establish a plant in Scotland as a national triumph.

Optimism, in fact, is one of Scotland's most important products at the moment. It is the vital force that has enabled once-depressed cities such as Glasgow to get back their self-confidence, even if they have not regained their former prosperity. It is successfully used as a weapon by the men who are trying to develop a new basis for the Scottish economy through organisations such as the Scottish Development Agency.

Optimism about Scotland's prospects is also essential to the Conservative Party as it faces the likelihood of losing Scottish seats in the next General Election, whatever happens at the UK level.

Just now, however, there can be little short-term cheerfulness about the Scottish economy. The collapse of oil prices has already cost Scotland more than 10,000 jobs—the announcement of 1,600 redundancies at Scott Lithgow being the latest disaster—and without a large and sustained upturn in the oil price, which almost no one expects, the loss could amount to more than 30,000 by early 1988.

While the oil boom has given Scotland an important boost over the past 10 years, much of the economy has gone through a painful transformation, as the output and capacity of heavy industry—steel, shipbuilding and engineering—has continued to decline. A quarter of a million jobs in manufacturing have disappeared since 1974. However, output of the electronics industry, based to a significant extent on foreign companies, has doubled, and many new jobs have been created in services.

For the optimists, Scotland is a good example of the new British economy, in which a relatively small number of manufacturing jobs producing high value-added products sustain the rest of the economy in which the bulk of employment is in services.

But for the pessimists, this is not enough. The new high-tech industries, they say, constitute little more than a branch economy. The conservative majority of Scots believe that real jobs mean manufacturing jobs, preferably in heavy industry, as the almost unanimous support for the national campaign to keep the Ravenscraig steelworks from closure showed.

Irrespective of the polemic, it must be asked whether this new model for the Scottish economy will really work. Efforts to create an indigenous Scottish electronics industry to complement the multinational industry have been only partially successful.

If doubts have been expressed in the rest of the UK as to whether enough people have the entrepreneurial drive to create the small businesses that are to become the big employers of the future, there must be even more uncertainty in Scotland. Scots have always done, and continue to do, supremely well outside Scotland, but in spite of a plethora of enterprise schemes and other forms of encouragement, there is yet to be a surge of new Scottish small businessmen.

There are proportionately far fewer business expansion schemes in Scotland than there ought to be, given that Scotland has one-tenth of the UK population. The capitalist ethos seems weaker: the proportion of Scots buying shares in privatisation issues is far below the national average. Scotland, where more than half the population still lives in council accommodation, nearly double the UK average, has a long way to go in shedding its employee-tenant culture.

Even Scotland's valuable cohesion and sense of national identity sometimes mask complacency and even snobbery. The Scots permitted Distillers, the largest company in their best known industry, whisky, to fall into decay and its management to slip into the hands of people who lived in the home counties.

When Mr James Gulliver, of Argyll, tried to buy Distillers, with the full intention of bringing its headquarters back to Scotland with the decision-making authority and ancillary jobs which that would have implied, some in the Scottish establishment objected to this son of a grocer from Campbeltown joining their ranks.

To them, Guinness seemed an altogether more appropriate suitor for Distillers, and it made similar promises about moving its decision making centre to Scotland, as well as agreeing to make Sir Thomas Risk, Governor of the Bank of Scotland, its chairman.

Mr Ernest Saunders, now Guinness's chairman, changed his mind about Sir Thomas Risk and the commitment on the headquarters was watered down. Those in Scotland who had backed Guinness were left looking foolish. Now, Guinness has begun making the redundancies in the whisky bottling industry which everyone knew were inevitable, and the Scots wait to see what the pledged transfer of Guinness's "designated" headquarters to Edinburgh will mean in practice.

Probably no one was more furious at Guinness's actions last summer than Mr Rifkind. He knows that for the Conservative Government a failure by Guinness to keep its promises now would lay it open to the accusation that capitalism is failing Scotland yet again. Since his appointment as Secretary of State, Mr Rifkind has impressed Scots with his irrepressible eagerness and his brilliantly concise speeches, delivered without a note.

But he represents a party which won only 28 per cent of the vote at the 1983 general election and which opinion polls suggest could lose at least a third of its seats at the next election. Most Scots support the Left: the politics of the Thatcher Government are not to Scotland's taste and the relentless pace of industrial closures has been electorally disastrous.

Further, the last few years have convinced a majority of Scots that some form of Scottish Assembly is now highly desirable and the Conservative Party is the only one that is not offering it.

The party's own supporters were alienated by the massive increase in rates in 1985 which followed the regular revaluation. They should, however, now be assuaged by the Bill to abolish rates altogether and replace them with a flat community charge, which is now before Parliament. The Government's opponents call it a poll tax.

Scottish Office ministers are haunted by another fear: what would happen if their party were decimated in Scotland at the next election, while staying in power at Westminister? There have already been claims from Opposition parties that Tory rule in Scotland would thus lose its legitimacy, and some Labour MPs have talked of the Scottish Party withdrawing its MPs from Westminister.

In such circumstances, would Scotland be governable by the Tories? The Government badly needs some good news in Scotland, but looks unlikely to get it.

Industrial output

● Output changes in Scottish manufacturing industry 1979-85

Sector	% change
Metal manufacturing	−19
Minerals and mineral products	−25
Chemicals and manmade fibres	+ 4
Engineering and allied Industries	+17
of which:	
Metal goods	− 5
Mechanical engineering	−28
Electrical and instrument engineering	+100
Transport equipment	−10
Food industries	− 2
Drink and tobacco	−27
Textiles, footwear, leather and clothing	− 5
Other manufacturing	− 9

Source: Dr Neil Buxton: Performance and Problems of Scotland Industrial Economy, based on Government statistics.

SCOTLAND 2

The Economy

Tightening of belts

FOR THE first time for several years, the Scottish economy is now set to under-perform that of the UK as a whole. For, despite its high rate of unemployment, Scotland's rate of gdp growth has been marginally better than that of the whole British economy.

The reason is the crisis that is beginning to bite hard in the offshore oil industry, the sector which put the shine on what was otherwise a fairly modest performance by the Scottish economy.

The sudden drop in the oil price has caused the postponement or cancellation of much new development work, a drastic cut in exploration and a general tightening of belts by the oil operators. At the beginning of this year there were reckoned to be 71,500 oil related jobs in Scotland. About 10,000 of these are already calculated to have disappeared, and if oil prices remain low for the rest of the decade a total of 18,000 jobs will have gone by early 1988, plus a further 14,000 in activities dependent on the oil industry. That would add 1.3 per cent to Scotland's unemployment rate, which currently stands at 13.8 per cent, though with pockets of male unemployment in places like the shipbuilding town of Greenock that exceed 25 per cent.

These are the bald figures, as calculated by the economists Mr Alex Salmond of the Royal Bank of Scotland and Mr Jim Walker of the Fraser of Allander Institute of the University of Strathclyde, based on the more pessimistic of current assumptions about the oil price.

The figures mean that Aberdeen, boldly claiming, despite glaring evidence of a sharp downturn that all is more or less all right, could face a nasty depression in the coming months. It will mean closures and amalgamations in the offshore fabrication industry. It will hit British Steel's Dalzell plate mill, which is heavily dependent on the North Sea. And, it could endanger the future of Scottish engineering companies which are not totally dependent on offshore work, but for which offshore work may have been so profitable as to the extent of making the whole business viable. If companies fold as a result, the offshore expertise could be lost for good.

For the UK as a whole the effects of the oil price collapse are reckoned to be broadly neutral, with cost savings and the decline in sterling offsetting the direct effects on the offshore oil industry. But, though some optimistic noises about improved export possibilities have been picked up by recent surveys of Scottish businesses, the net effect on Scotland of the oil price decline is certain to be negative, simply because the oil industry is more concentrated in Scotland.

That throws the burden of providing growth and employment onto other parts of the economy. Manufacturing output had by last year crept back to exactly the same level as it stood at in 1979, before the great shakeout of jobs and capacity in manufacturing caused by the high value of sterling and the abrupt end of restrictive practices.

But the figures, as measured on an indexed basis, mask the fact that only two sectors actually showed an increase—"chemicals and man-made fibres" with a 4 per cent rise, and "engineering and allied industries" which rose by 17 per cent. This 17 per cent is composed of four sub-sectors, three of which declined while the fourth rose by no less than 100 per cent. The fortunate sector was electrical and instrument engineering, or electronics.

The burgeoning of the electronics industry is the most obvious success of the great efforts which have been made since the mid-1970s to revive the Scottish economy, when it became even more obvious that Scotland's traditional heavy industries, coal, shipbuilding and even steel, were in grave decline. Its existence, and the 43,000 people it employs, enables Government ministers to claim that Scotland is not "deindustrialised."

But there is a fragility about the Scottish electronics industry: despite the growth of an indigenous Scottish industry to support it and its links with the country's strongly science-based universities, it is still heavily based on foreign companies.

The truth is that, like the rest of Britain, the Scottish economy now lacks the broad base of manufacturing industries that one finds in France, West Germany and Italy. Unemployment has risen by nearly 3 per cent since 1979 and though new jobs in services have sprung up, they only partly offset the jobs that have been lost in manufacturing. But in this it is probably little different from the rest of the UK. The question is how hard Scotland is trying to pull itself up by its bootstraps.

The answer seems to be: at least better than other depressed areas of Britain such as the north-west and the north-east, where unemployment is at about the same level as Scotland, yet new enterprises are fewer and farther between.

The Ferranti Defence Systems factory at Crewe Toll, *Edinburgh*

Scotland benefits from its strong sense of national identity, which often enables warring factions in local government to sink their differences, and from having, in the Scottish Office, a single government department on a relatively human scale. The Scottish Development Agency, set up in 1975 with a wide brief to find ways of regenerating industry, reviving depressed urban areas and removing the worst scars of decaying industry from the landscape is held up as an excellent example of how a development agency ought to work: with dynamic leadership and in an arms length relationship with central government.

It can claim much of the credit for the rehabilitation of the east end of Glasgow, and is trying much the same thing in decayed Scottish cities. But much of its energy goes into "software"—a hearts and minds campaign both to exploit the strengths and opportunities which exist in Scotland, and to convince the outside world that Scotland is a good place for companies to establish themselves.

George Mathewson, the agency's chief executive, is in no doubt that it is the service sector that will provide the majority of Scottish jobs in the future. He had said: "If we had as many restaurants per head of population as they have in the US, we would have another 75,000 people in work."

He wants to see the strengthening of Scotland's important financial services industry, and the attracting to cities like Glasgow of corporate head offices and satellite administrative centres. But it is not a vision of the future that either convinces or appeals to everyone.

James Buxton

Bathgate

Hopes pinned on small businesses

"THIS IS an economy were people hang on by their fingernails. They often do not know until Friday whether they are going to be able to pay that week's wage bill."

The speaker is Mr Michael Fass, leader of a task force trying to breathe new life into the shattered economy of Bathgate, one of Scotland's worst victims of industrial misfortunes and mistakes. It lies almost halfway between Edinburgh and Glasgow amid the old slagheaps and abandoned coalmines of West Lothian.

This was once a place of reasonable prosperity, based on oil shale extraction and coal mining. But shale mining disappeared in 1962, and though there were 31 collieries in 1951, coal mining came to an end in 1984 with the closure of the Polkemmet pit during the miners' strike at a cost of 1,300 jobs.

When by the late 1950s unemployment had reached the then horrifying level of 6 per cent, the Government persuaded the British Motor Corporation (later named British Leyland) to locate a large commercial vehicles and tractor plant in Bathgate. The aim was eventually to employ 12,000 people.

But the payroll never reached more than 6,000 and from 1980 Leyland began moving production away from Bathgate. Hit by the collapse of overseas markets, the company in 1984 announced the complete closure of the 1.5m sq ft plant. The last 900 men were made redundant in July this year. Now the Rover group is discussing selling it for conversion into a vast out-of-town shopping centre.

Since the arrival of the plant had been seen as the solution to most of the area's post-coal economic problems, other aspects of economic development were neglected. The rundown of the plant, plus the closure at the end of the 1970s of a Plessey operation employing 2,500 provoked a bigger and faster fall in employment than that suffered by any other town in Scotland, and there was little to fall back on.

Now official male unemployment in the Bathgate area, with a population of about 80,000, is 25.5 per cent. The true figure may be 30 per cent. Male youth unemployment could be as high as 60 per cent.

Many of the unemployed are too old to work in electronics in the nearby new town of Livingston, a creation which may have been a drain rather than the boost to Bathgate which was intended. "These are also not the sort of people who can put on a paper hat and go and work in a hamburger bar," Mr Fass says.

How do you revive such a desolate economy? There are some strengths: Bathgate is in the heart of Scotland's central belt, already exploited by several distribution operations, while ex-mining families are vigorous and self-reliant, though not used to working for themselves.

In 1984 a Scottish Office working party recommended a new motorway interchange and the reopening to passenger traffic of the railway to Edinburgh.

The motorway junction is going ahead, and the railway reopened in March this year, 30 years after it closed, and has proved so successful that extra trains have had to be put on.

In 1984 Bathgate won equal development area status with Livingston, giving it a chance to win investment.

The spearhead of the campaign to revive Bathgate is Bathgate Area Support for Enterprise (BASE), set up in 1983 by the Scottish Development Agency, Leyland Vehicles, Lothian Regional Council and West Lothian District Council. Mr Fass, an Englishman with a background in industrial management, directs it with an enthusiasm that only partly conceals his anger at the British economy for producing today's Bathgate.

Part of BASE's remit is helping business start-ups—both by indigenous concerns and inward investors—and assisting existing companies. BASE gives advice, provides factory units, advises on sources of finance and operates a "lifeboat" service to rescue companies in trouble. It is to run a £500,000 Bathgate investment fund financed by the Scottish Development Agency and the Royal Bank of Scotland, which will make equity investments in small companies.

But much of its activity is devoted to what Mr Fass calls a "hearts and minds" campaign to encourage people from the area to look at self-employment, or setting up small businesses as a source of prosperity.

This embraces initiatives ranging from a scheme run in co-operation with the local education authority to introduce the learning of "enterprising behaviour" into local high schools, thought to be the only scheme of its kind in Britain—to the creation of the Business Development Centre, a joint venture with West Lothian College of Further Education. This runs business "workshops" courses, and provides an information and research service.

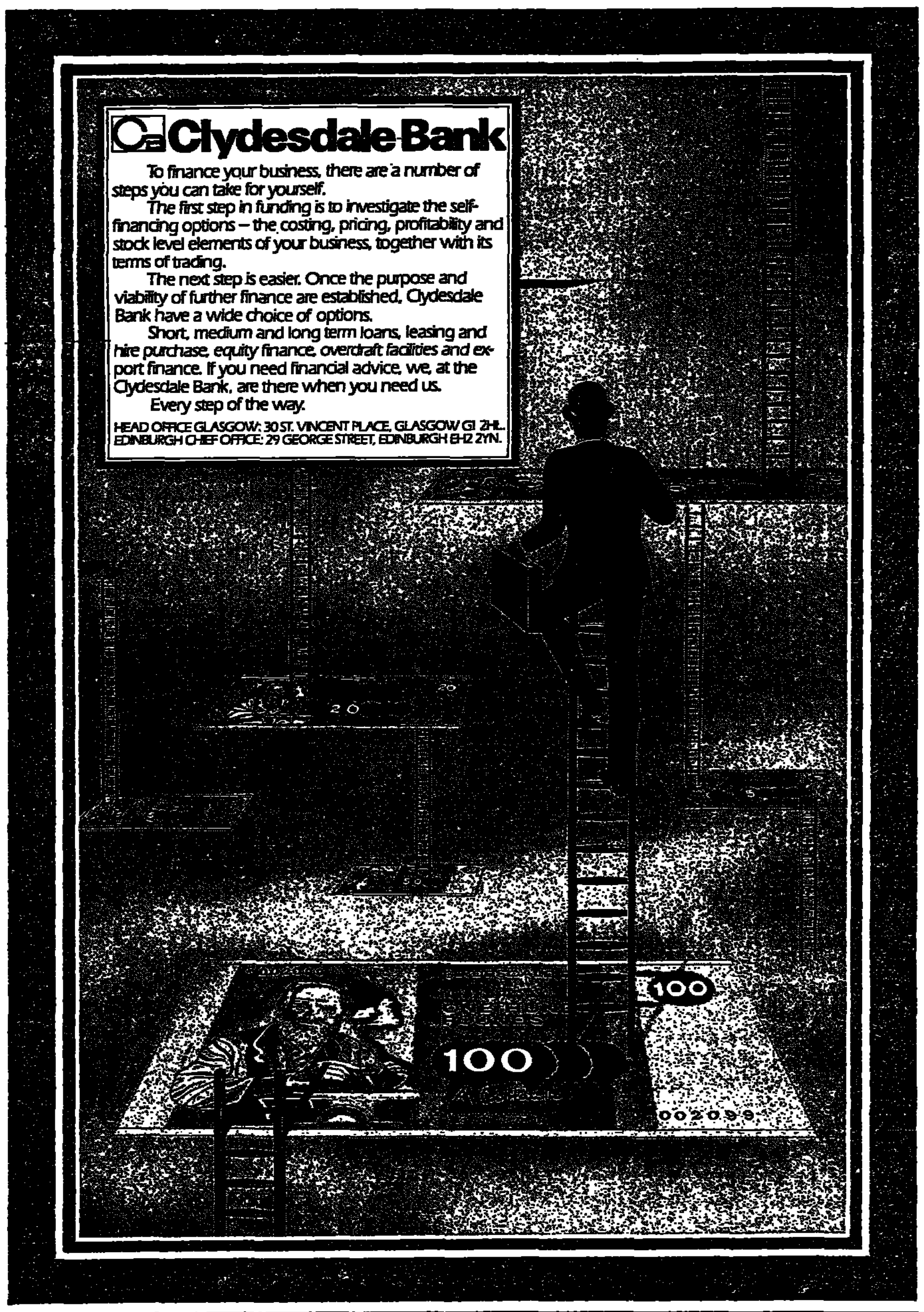
"Running your own business can be a terrifying prospect for someone who has never done it before," says Mr David Swinton, the director.

BASE wants to be seen as rooted in the community, depending heavily on links with other local institutions. There is dauntingly far to go, but with the other authorities it can claim a number of successes. These include small business start-ups on an estate at Whitburn, in the shadow of the deserted Polkemmet pit, a management buyout, and Goodwill Enterprises, a venture sponsored by BASE, Levi Strauss, the jeans maker, and Lothian Regional Council. This rehabilitates office furniture and sells it cheaply to voluntary organisations.

It is the kind of co-operative, bootstrap operation that symbolises Bathgate today.

"With the final closure of the truck plant there are no large employers left in aBthgate. It can't get worse," says Michael Fass. "Over the next five years it can only get better."

James Buxton



Heavy Industry

The search for diversified roles

SCOTLAND'S traditional heavy industries have been on the decline since the turn of the century. The erosion of a resource which once served the Empire into a sector which the markets cannot support has left deep scars.

Much of the shipbuilding on the Clyde has fallen to the competition of cheaper and more efficient yards in Japan or South Korea. Earlier foreign producers had also undermined the powerful textile industries of Lanarkshire. Electronics, while an important new source of jobs, also seriously undermined the manufacture of mechanical cash registers and watches in Dundee. Oil as well as atomic power reduced the need for coal, and new methods of steel-making and the decline of the UK motor and engineering industries have closed down steel mills.

Decline afflicted the thinking of many in the traditional industries, including even its most senior management. Deindustrialisation has been accompanied by an increasing dependence on government for protection and support.

Big government-backed initiatives like the Linwood car factory, the Corpach pulp mill, the Invergordon aluminium smelter, the Bathgate truck plant and the Ravenscraig steel mill were the response to the political pressure to halt the haemorrhage of jobs.

Today of these four big industrial projects, only Ravenscraig remains.

The political pressures remain and continue to reinforce Labour's seemingly unshakable hold on Scottish seats in parliament. The recognition that other parts of Britain are as badly off or worse has, however, diluted Scotland's case for special treatment.

Today the Standing Commission on the Scottish Economy, a body with wide political support and representing both sides of industry, has set out to exert new pressure on government to back the regeneration of the traditional industries through government contracts, financial assistance and support for investment in new machinery.

Yet, even in sectors subject to severe decline there continue be notable successers. Production at Ravenscraig using its continuous casting system matches or betters European efficiency levels in steel making. Govan shipyard has eliminated damaging industrial demarcation and adopted new cost saving module construction.

Rolls Royce at East Kilbride has designed and developed an advanced turbofan Tay engine, Anderson Strathclyde in Glasgow has introduced a flexible automated manufacturing system which allowed them to respond quickly to new orders.

Mark Meredith

Finance

Make or break after Big Bang

THE NEXT two years could make or break Scotland as a financial centre, says one of the leading players in the Scottish financial community.

In other words, will Scotland be able to make the most of its much prided independence and the manageable size of its institutions, or will it be squeezed off the map by the new giants of the post-Big Bang City of London?

Scotland was more a bystander than a participant in Big Bang. Some institutions made important structural changes, others deliberately stood aloof, but most were simply too small to be involved.

A big effort is now being made to strengthen the Scottish financial community—an effort that indirectly is getting Government help.

The Scottish financial community consists of the three Scottish clearing banks (Royal Bank of Scotland, Bank of Scotland, and Clydesdale Bank), the Scottish-based life assurance companies (led by Standard Life), merchant banks (led by Noble Grossart) a complement of stockbrokers, and a large contingent of fund managers.

Based mainly in Edinburgh, Glasgow and Perth, the community is easily the biggest concentration of financial services anywhere in Britain outside London. It is tightly knit, but not always united.

Only one Scottish financial institution, the Royal Bank of Scotland, features in the list of big players in the new financial markets: the Royal Bank took over the Charterhouse merchant bank, and the stockbrokers Tilney. By contrast, its Edinburgh rival, Bank of Scotland, took the firm view that Big Bang could easily end in tears in a bear market and remained aloof. Noble Grossart decided it wanted to remain independent. The stockbrokers mostly either merged with London firms or took steps to shore up the independence for which they had opted.

Independence, most people in Scotland believe, is the best selling point Scotland has. Professor Jack Shaw, formerly senior Edinburgh partner of the accountants Deloitte, Haskins and Sells, said: "We have independence of ownership, independence of thought and independence from conflicts of interest." He added: "We have a Scottish tradition of custodianship and respect for the property of others on which we have built a fund management industry with a high reputation."

But he acknowledged that the cautiousness which has happily prevented Scotland from following some of the more dangerous fashions of the City of London has also meant that in the past big opportunities have been missed: for example, Scottish institutions failed during the 1970s to corner an important portion of the funds flowing into Scotland to develop North Sea oil, and the life offices were slow to enter the unit trust market.

Professor Shaw now runs an organisation named Scottish Financial Enterprise (SFE) which was launched last May to promote and strengthen the Scottish financial services industry — to make its members and its virtues better known. The list of SFE's members reads like a directory of the Scottish financial community, though on closer inspection one notices the absence of one of the leading financial institutions — Perth-based General Accident.

The drive to found SFE was born in part out of an initiative by the Government-funded Scottish Development Agency (SDA), which commissioned a comprehensive survey of sector from the consultants Booz Allen and Hamilton, a study now being discussed with the interested parties prior to publication early in the New Year.

The SDA is now setting up a division which is intended to support the financial services sector and underpin SFE. Exactly what it will do has yet to be made fully clear, but it is likely to bring to bear the SDA's own strengths as a catalytic force. And it could use its proven marketing skills to persuade financial institutions from outside Scotland to set up here, taking advantage of the grants now available to service industries.

The SDA's support for the financial community is in line with its policy of supporting Scotland's actual and potential strengths, but in the country's more deprived areas there have been mutterings that of all the country's economic sectors, the financial community was surely the one best able to look after itself.

The truth seems to be that there is much more concern about the future of the Scottish financial services industry (which employs 80,000 people) than is publicly admitted. "It is really awfully slender," said one person closely involved with it. "What we are worried about is that the whole thing could wither away."

Observers and participants in the financial community point to several possible threats:

- The investment trusts—one of Scotland's financial specialities—are at risk to any predators attempting to acquire their assets cheaply. The trusts mostly stand at a discount to their assets value, but there are scarcely any mechanisms by which they can make themselves bid-proof.
- The smaller life offices could find their markets for savings vehicles eroded under pressure from the larger and often more aggressive counterparts in the South.
- There could be further erosion of the Scottish identity of the banks. Royal Bank was nearly taken over by Hong Kong and Shanghai Bank at the beginning of the 1980s.

That may all be looking on the black side. One reasonably bullish member of the Scottish financial community says: "Boesky and Collier are very good news for Scotland. We have a clean reputation and do not have the conflicts of interest that Big Bang has produced in the South-East but we have to sell ourselves better."

That, of course, is the role of SFE, which is now moving into premises and planning a programme which will consist of publications—an annual directory and, possibly, a newsletter—as well as the holding of seminars and conferences. The broad aim is to increase general world awareness of the Scottish financial community's strengths and weaknesses, an aim which involves identifying an appropriate marketing strategy.

In the Georgian drawing rooms from which the players in Scotland's financial services industry operate, there are already signs of frustration that SFE is not doing enough. "I want to see them just getting *out to the US and selling* Scottish financial services for all they're worth," said an investment manager.

James Buxton

Electronics

Jobs won in shadow of slump

SCOTLAND last month won what will probably be Europe's top inward investment prize for 1986, when the Texas-based Compaq Computer announced it would build a £16m plant at Erskine, west of Glasgow.

Compaq will produce its full range of portable and desktop computers in Scotland and should provide about 350 jobs by 1990.

This news has come in the middle of a worldwide electronics slump and when the competition is tougher than ever among EEC members to entice inward investment from mobile US or Japanese companies.

It was a victory for the "never-say-die persistence" of the Locate in Scotland bureau. LIS, which combines the promotional resources of the Scottish Development Agency with the grant-giving powers of the government's Industry Department for Scotland, has helped attract over £1.8bn in overseas investment since it was set up in 1981.

These projects in turn have created or safeguarded more than 37,000 jobs.

Inward investment is a key ingredient in Scotland's electronics industry which has grown up and been cultivated on the back of a handful of multinational companies such as IBM, Hewlett Packard and National Semiconductor, which built plants in Scotland after the war.

The electronics industry today employs more than 41,000 people in around 300 companies, and its rise has helped Scotland shed the image of an industrial wasteland. In particular it has brought new employment and new industrial direction, as traditional heavy engineering, textile, steel and coal industries have subsided.

It has been able also to draw on a pool of skilled labour in Scotland, and it has generated opportunities for graduates from Scotland's universities and technical colleges. A new realism has been encouraged, too, within the academic world about the role it can play in industry.

Despite the present Government's hands-off policy to industry, the development of the electronics industry in Scotland has been planned. An industrial strategy worked out in the late seventies by the Scottish Development Agency identified the direction in which the industry could most probably develop. This laid down guidelines for the promotion of inward investment.

Today Scotland has a large proportion both of Europe's personal computer and integrated circuit manufacturing. Each sector employs roughly 5,000 people, making Scotland one of the most successful of Europe's regions in the attraction of high technology investment.

Foreign investment in these sectors too has resulted in the growth of a sub-stratum of supply companies and created opportunities for indigenous Scottish suppliers.

Research and development has followed in several cases and now accounts for a significant chunk of the £340m spent each year by the industry and for about eight per cent of the sector's jobs.

But companies with extensive R and D operations such as Hewlett Packard and NCR are a minority. Companies are generally much more tuned to sub-contract work and this is where most of the hope is harboured.

One such indigenous company is Intelemetrics which supplies machinery for meauring the thickness of films used in the production of integrated circuits. Another, Clan Systems in Edinburgh, designs the control mechanisms for laser printers.

The SDA has directed venture capital into companies like Prestwick Holdings which produces printed circuit boards for the industry and the Integrated Ceramic Components which manufactures multilayer ceramic capacitators.

But local electronic entrepreneurs are still not coming forward in anything like the numbers hoped for. Private venture capital companies like Investors In Industry (3i), have to scour the landscape for prospects.

A problem which will not go away for the electronics industry is that it is far from its markets. A greater awareness of marketing, according to the electronics division of the SDA, would help produce products which were closer to the needs of the market and help focus research and development efforts.

Scotland can always count on a core of people who actively choose to live there and benefit from a quality of life which they prefer. This has been an important reason behind the growth of more than 200 software houses which together now provide 7,300 jobs. Three-quarters of the software companies export their products.

According to a new trade directory of the software industries, 95 per cent of these companies are Scottish owned and cater for the local markets and institutions.

Scotland has, too, become one of the leading centres in Britain for research into artificial intelligence and its institutions participate in European-wide development projects.

Defence electronics too is a key sector. The highly successful Scottish division of Ferranti is, for example, a founding member of the Scottish electronics industry. The bulk of the work at its factories in Edinburgh is for the military with research and development work on areas like *inertial* navigation systems for aircraft. Burr Brown in Glasgow specialises in optical systems again for the military market.

The slump, however, still haunts integrated circuits production in Scotland. General Instrument closed its operations in Glenrothes, Digital has put on hold a new factory development in South Queensferry and National Semiconductor has put off a big development programme for its plant in Greenock.

Yet even with these few specific problems, electronics remains one of Scotland's success stories, and one of its brightest hopes, as Compaq's decision exemplifies.

Mark Meredith

Oil industry

The gloom deepens as more jobs go

THE collapse in the oil price has rudely pushed the Scottish oil industry into the worst recession it has ever known. The industry, which less than two years ago was all prosperity and promise, is now inflicting redundancies on its employees and losses on its investors.

Already, about 10,000 workers in Scotland have lost their jobs as a result of the fall in the price of oil, and the pace of losses has quickened recently, with the announcement last month of 1,600 redundancies at the Clydeside offshore fabrication yards.

Things will get a good deal worse before they get any better, say even the most cautious forecasters. On fairly optimistic assumptions about oil prices and future investment in the North Sea, the Royal Bank of Scotland estimates that a total of 22,000 to 33,000 jobs may be lost over the next two years, of which up to 18,000 will be in the industry itself, and the rest in related areas which rely on the heavy purses of the oilmen.

Distress has not fallen evenly on the industry. Unless oil prices fall well down into single figures, all the producing fields will go on as before. This means that the bulk of the 90,000 people employed by the industry—most of whom are directly or indirectly involved in production—will be little affected.

Life inside the major oil companies has changed surprisingly little. Altough most have cut sharply their projected expenditures, until recently they have made no cuts to their workforces in Scotland. However, some cuts have now been made: Shell has announced it is shedding about 450 workers over the next 18 months, BP has redeployed some of its Aberdeen employees to London, while many of the big US giants have reduced their presence in Scotland, sending their employees home.

The independent oil companies, many of which have found themselves seriously short of funds, have had to take more drastic steps. Britoil has cut its staff by about 30 per cent, laying off more than 1,000 workers throughout its organisation, while some of the smaller and weaker companies have reduced their size by half or more.

However, the main sufferers have been the oil supplies industry, especially those companies whose work is linked to oil exploration and development. Total industry investment (about half of which is related to exploration and development) will be about £3bn this year, and by next year and the year after may have fallen below £2.5bn—some 30 per cent less than total investment in 1984.

The effect of the cuts is made worse by the fact that they were not foreseen. Indeed, as recently as two years ago the oil supplies industry was building itself up for a great expansion of North Sea developments, and now finds itself with a serious problem of overcapacity.

The worst hit area of all has been in the fabrication yards, which were already in oversupply even before the latest squeeze.

While the flow of gas projects has continued at a fairly rapid rate, the gas structures are relatively small, and alone provide nothing like enough work to keep all the yards in business, let alone busy.

Scott Lithgow looks among the worst placed of the main offshore yards. With its only piece of work, the Britoil semi-submersible rig nearly finished some two years behind schedule, it announced last month that its workforce would be slashed by two-thirds to 700,

Another popular symbol for the industry's sickliness is the line of rigs stacked off the coast of Scotland. About 50 per cent of North Sea rigs are without work, and those which are occupied are on rates that do not nearly cover operating costs.

However, the plight of the unemployed vessels does not directly effect Scotland as most belong to US firms, and almost none is UK owned.

Foreign companies have been involved in other parts of the business, too, and the strength of their commitment to a suffering industry is causing some concern in Scotland. The supplies industry is still dominated by foreigners, many of whom are big energy concerns which are making heavy losses at home, and may be forced by their shareholders to retrench, leaving a painful hole in the Scottish economy in their place.

Among the UK companies, a wave of failures is expected. Already a handful have gone into receivership, while others have merged or are looking for companies to take them over.

Those which are least at risk are either those which are geared to maintenance work—in which case the present downturn has left them more or less unscathed—or those which have developed new technology that will help the industry to cut its costs.

It may well be that even at present oil prices. developments will be taken progressively off the shelf as the teams of researchers, most of whom are still hard at work, come up with drastic solutions which greatly reduce the costs of finding and producing oil in the North Sea.

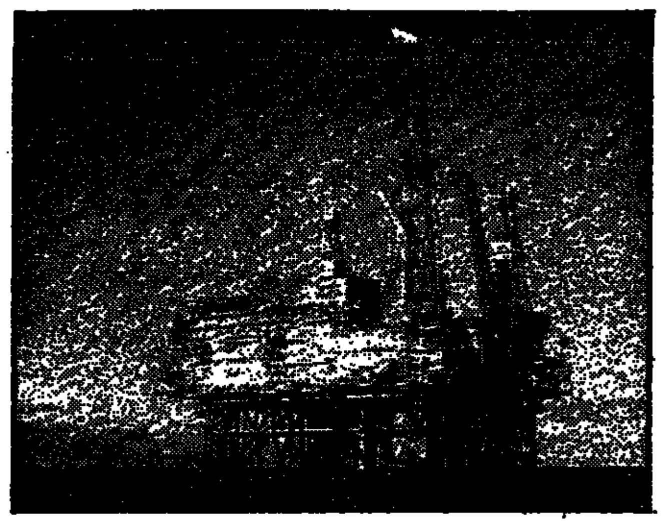
The industry is hoping that the Government will do something to make life a little easier. While the Government must be getting increasingly uncomfortable about the growing toll of redundancies, it insists that its room for manoeuvre is slim. In order to boost spending, the industry has argued that a whole package of further measures is needed, including the rate of petroleum revenue tax, and allowing development costs to be offset against the tax.

While the Autumn statement contained an adjustment to oil tax—allowing part of the advance petroleum revenue tax to be repaid early—the move was minor, and no one is forecasting any rise in activity as a result.

The Government is trying desperately to get the message across that all is not as bad as the gloomsters say. Mr Alick Buchanan-Smith, Energy Minister, never tires of reminding everyone that the North Sea generates £6m expenditure every day, most of which is spent in Scotland.

But in the end, whether the gloomsters have got it right depends on one thing to which neither they, nor the Government, nor the oil companies themselves know the answer to the future course of oil prices.

Lucy Kellaway



Britoil's Thistle A rig in the North Sea

The Highlands

Farm revenues in decline

THE NORTH shore of the Cromarty Firth is the nearest thing to an industrial zone that the Highlands of Scotland have to offer. For several miles, there is a succession of factories and offshore supply bases, and in the grey, windswept distance you see the big offshore fabrication yard of Highland Fabricators at Nigg Bay.

But the most striking sights are the towering drilling rigs anchored along the Firth, their lights blazing. On a recent day, there were a dozen of them, only a few of which were awaiting repair. The rest were simply out of work—dramatic evidence of the slump in the oil price and its effects on Scotland.

In spite of the Cromarty Firth and of course, the Shetland Islands, the economy of the Highlands and Islands is not nearly as dependent on the oil industry as Aberdeen and the Grampian region. But in one sense, the Highlands are more vulnerable, because they are mainly involved in offshore fabrication for the development of new fields—where oil companies are making their biggest cuts.

Already one of the three fabrication yards in the Highlands and Islands—the Howard Doris facility at Loch Kishorn on the West Coast—is in receivership. The others — McDermotts at Ardersier, and Hi-Fab at Nigg—have surplus capacity and have slimmed down their workforces. It is common knowledge that the industry has too many big yards.

As if that were not bad enough, one of the area's traditional industries, farming, is seriously affected by the national decline in farm revenues. "This is an area of mostly marginal farms," said Mr Bob Cowan, chairman of the Highlands and Islands Development Board. "So farmers have less leeway than in the South. Retrenchment here is not just a matter of selling the BMW."

If farmers in East Anglia were to start to rear sheep intensively on land where they now grow barley, Highland farmers' extensive sheepfarming operations could be seriously at risk, he added.

That, then, is the bad news. Yet Mr Cowan and his officials at the HIDB still believe that the medium term outlook for this wild and underpopulated area of Britain is reasonably promising. The Board, which has a budget of £35m a year, assists and promotes economic and social development over an area that makes up half of Scotland, but has only 340,000 people.

That figure shows that the population of the Highlands and Islands is rising again after 100 years of catastrophic decline which reached its nadir in the 1960s, when it dropped below 300,000. One reason may be that with fewer employment opportunities in the rest of Britain, there is less cause to leave.

But Mr Ian MacAskill, secretary of the board, who himself said that he found much more self-confidence among young people in the area than was the case in the 1960s. Unemployment, which was three to five times the national average in the 1960s, was now 16.1 per cent, just above the Scottish average of 15.6—though that hardly reflected well on the rest of Scotland.

What has caused this increased self-confidence? The oil industry has not just brought new activity and new people to the area: it has meant the acceleration of infrastructure projects which have made the Highlands less remote. The A9 road from Perth to Inverness is now a fast and spectacular piece of engineering, which brings Edinburgh and Glasgow within three hours of the Highland capital.

But though roads and ferry services are now much better, the islands and the remoter parts of the West Coast are still at a serious disadvantage compared with the rest of Britain, while a recent conference in Inverness on telecommunications showed that present services were barely more than adequate and that there was a grave danger of the area falling behind as new services are introduced.

With a growing national trend in Britain for businessmen, especially in high technology fields, to establish themselves in rural areas far from the main markets and conurbations, the Highlands, with their improved communications, are set to benefit—though it is not everyone who prefers the rain and the wind of the Highlands and Islands to the softer climate of the South East of England.

The board points as an example to Gaeltec, a company which produces electronic measuring systems for medical use on the Isle of Skye, employing a few dozen people, and whose location has much to do with the fact that its executives love mountaineering.

The board accepts that it is not likely to win many of the mobile investment projects which are being competed for not only by the Scottish Development Agency but development authorities all over Europe. Nor should the emphasis on high technology distract from the fact that there is a fair number of little engineering companies dotted around the area, mainly on the eastern side.

The fastest-growing business is now salmon farming

The Board has accepted in the last few years that industrial development will consist in future mainly of small to medium sized projects.

The HIDB does, however, want to see more industries using one of the area's main resources, wood.

Meanwhile, probably the fastest growing business in the Highlands is salmon farming. Since the late 1970s, little stations which bred salmon in cages have proliferated at an astonishing rate.

Production of farmed salmon will reach more than 7,000 tonnes this year and is expanding so fast that it is expected to hit 20,000-25,000 tonnes by the end of the decade. For years, it has overtaken output.

The farms, which consist of shore installations and the floating cages, employ nearly 700 people full time.

By last year, the HIDB had put nearly £24m into fish farming, matching private sector investment of over £36m. These sums have increased substantially this year.

But the salmon farming industry has probably reached a crossroads. The much larger Norwegian industry effectively controls the price and last summer prices fell sharply by about 30 per cent, causing acute alarm to some of the smaller and less provident concerns.

Since then, prices have recovered somewhat, but both the industry and the HIDB realise that the hectic expansion cannot continue. The emphasis now is on improving the marketing of the salmon.

The salmon farming industry gives a strong impression of lacking the single central organisation which has made its Norwegian equivalent so successful. But, as Mr MacAskill of the HIDB says of the highlands in general: "This is an area of individuals where you can't tell people what to do. The direction has to come from the people themselves."

James Buxton

THE ARTS

Maria Joao Pires/QEH

David Murray

It was satisfying to discover on Sunday afternoon that the reports about Miss Joao Pires have been quite right: she is not only a greatly beguiling pianist, but a superb artist. She draws a distinctive mother-of-pearl sound from the instrument and tone with a deceptively soft sheen and clarity, but it doesn't compromise her dynamic range nor her keen rhythmic acuity (very Iberian—she is Portuguese). None of those virtues is called into play to make personal effects, for she is wholly intent upon realising the music in hand, single-mindedly and selflessly. There is something of Annie Fischer's musical style about her.

She began with Bach's Partita no 1 in B flat and established at once that she is a Bach pianist of the first order. No attempt at harpsichord imitations, but no Chopinesque curves either, and she was brilliantly sparing with the pedal (none at all for pattering final chords, a sign of high virtue). Marvellously balanced hands, and "voices," made the music, with diamond-cut ornaments and a tingling pulse. The Allemande and Corrente were *tours de force*, without flashiness. She gave noble expression to the Sarabande, strong but not romantically opulent, and contrived an inspired contrast between the gaits of the first and second Minuets.

Of Mozart she played the D minor Fantasia K. 397—dramatically sharpened contrast between slow, searching introductory music and almost defiantly bright final section—and the B-flat Sonata K. 333. The outer movements of the Sonata gleamed with fresh imagination; the Andante cantabile was the only movement in the entire programme that didn't engage my sympathy, for it was so prettily and continuously busy (in its gentle way) that its shape seemed under-defined.

Miss Joao Pires concluded with an extraordinarily rich and gripping account of Schubert's last sonata, the great B-flat. It would take a long time to catalogue all her illuminating touches. More broadly, she maintained a level of rigorous intensity throughout—including the huge repeat in the Molto moderato, for which she made the link-passage a sudden, violent protest — and still painted a canvas of inexhaustible variety. The Trio of the Scherzo was unusually dark and mournful, and the Rondo never lost an air of inquiet urgency. The slow movement, absolutely controlled, was a dry-eyed tragic soliloquy.

Vocem/The Place

Andrew Clements

Among the clutch of British groups working extensively in the area of extended vocal techniques it has been Vocem, under the imaginative leadership of Alan Belk, which has moved furthest towards fusing its repertory with music theatre. The dramatic trappings implicit in a work like Berio's A-Ronne can be translated into visual terms, which is precisely what Vocem has managed to do in its own presentation of the five-voice version of the piece. Dramatising existing music is hardly sufficient in itself though, and the group has sought to interest young composers to write for its peculiar capabilities, while Belk has added works of his own.

Vocem's most ambitious project to date played for three performances last week at The Palace theatre. Devised by Peter Vincent, scriptwriter for *The Two Ronnies* and myriad other TV comedy series, and with music supplied by Alan Belk, *The Sound of Purple* moves Vocem's sphere of operations into a much wider and popularly accessible area of theatre. Although many of the vocal gestures that permeate Belk's scores are recognisably those of Berio, Ligeti and Globokar, the whole confection is much akin to undergraduate revue: a mock thriller crammed with literary allusions and sharp one-liners, threaded with a sequence of songs that parody everything from medieval troubadours to Sondheim and Lloyd Webber.

It all makes a thoroughly entertaining, crisply accomplished 70 minutes, which steers carefully around any hint of real emotion; for every touch of profundity there is invariably a precisely aimed send up following smartly along behind, and most of the jokes, I suspect, would not survive a second performance.

Written around the collective talents of Vocem, *The Sound of Purple* extends the group's range quite painlessly; but there is a good deal more meat in their Berio staging (given in the first half of The Place programme) than in the self-consciously clever lyrics of the commission.

Kool & the Gang/Wembley Arena

Antony Thorncroft

Kool and the Gang have been around for longer than most of the world's population. They have had their ups and downs during their 22 years on the road but they are currently enjoying a high, not least because they have a new young singer, James L. Taylor, fronting the nine-strong combo.

He has adapted to the role of greaser as to the manner born, asking if "everyone was *ALLright*" and assuring us that "it was a night for lovers." He also asked us to kiss our neighbour which thankfully produced a great deal of British phlegm. In fact he talked too much.

Eventually he stopped telling us what a great time we were going to have and let the boys get on with it—and they certainly do that. Wearing more silver lamé than the cast of *Cage aux Folles* this seasoned bunch of funksters and soul boys, jazzmen and boogiers, have a set of routines which would leave the Tiller Girls breathless.

When they are not high kicking they are rolling somersaults, when not doing hand stands they are twirling. And all the time the brass section keeps blowing, the keyboards direct the rhythms, and the lead guitarist—step forward Charles Smith—throws off riffs like a good 'un. Kool (a discreet bass player) and the Gang have had more hits than Frank Bruno and if they all tend to merge into a long seamless strip it is one that would get a December hedgehog going.

It might not have much heart but it is full of soul and with the lights flashing out their name, the boys slipping into diverting funny walk routines wearing giant fedoras, and Wembley Arena momentarily transformed into Roxy Ballroom on a big Saturday night it is impossible not to admire the dedication, professionalism, and sheer cheek of it all. This is music as spectacle, a full frontal assault on most of the emotions. And it works.

Manchester City Art Gallery/William Packer

Beyond the critical pale

Sir Alfred Munnings died in 1959 secure in his position as painter of equestrian and equine portraits to the landed gentry and the most reactionary and anti-modern of artists in his generation. He did a lot of foolish harm in his time, not least by his notorious speech as president at the Royal Academy dinner in 1949, which rallied the ignorant and philistine against Picasso and his fellows and took the academy itself rather more than 20 years to live down.

But the oddest harm he did was to himself, for though his work has remained much in demand in all this time—often spectacularly so at auction since his death—by what he said and the public position he adopted he put himself quite beyond the critical pale. There he has stayed ever since, his work invisible to prejudiced eyes, non-art as it were by a non-artist. A fair reappraisal is long overdue, and the concise but substantial retrospective exhibition now in the Athenaeum Gallery of the Manchester City Art Gallery (until January 25) is especially welcome.

His friends unwittingly have not been kind to him, for the Munnings who lives on in the public mind, no matter whether for or against him, is the society horse painter he was for his last 40 years as the commissions came rolling in. But he was a horse painter from the start, and the sporting and country worlds of hunt, horse fair, racecourse and gypsy camp supplied his chosen material in all those early years when he was entirely free to choose. His life's work, for all its shifts of emphasis, apparent preoccupation and later predictability, remains clearly the work of a single sensibility, to be considered all of a piece. But this exhibition concentrates upon the work of the younger man: and it is not to suggest that the later work is without its merit to say that this is where its importance lies. That we should come upon it with such a sense of real discovery, to find an artist of authority and astonishingly precocious authority, speaks only of our expectations.

Munnings was born in 1878 at Mendham Mill on the Waveney in Suffolk, son of the miller. His first training was as an apprentice commercial artist in Norwich, where he enjoyed some early success with advertising illustration for Colman's Mustard and Caley's Chocolate, the local firms. But commercial art was only an expedient. He continued meanwhile to study painting and drawing part-time at the Norwich School of Art and in 1903 went over for a short time to the Atelier Julian in Paris,

Detail from "Gypsy Life" by Sir Alfred Munnings

by which time he was already able to live by what he could sell. From the moment of his return he was out on his own, and there followed over the next 15 or 20 years a prodigious outflow of canvases that were as remarkable for their scale, energy and ambition as for any manifest facility.

Even then there was something singular about Munnings, not so much in the sense that any true artist must be in essence his own man, but rather in the quality of his innocence and provinciality. For the paradox we face with the young Munnings is that he stands at once apart and yet in the centre of the stage of the British Art World over the two decades before 1920. And it is the nicest of ironies that there was nothing uncontemporary in the early work of the man who was to grow into the very *cynosure* of reaction.

What else did he look at but the model during his brief stay in Paris? Was it the impressionists or Cezanne, or the young rose and blue Picasso perhaps, or Matisse and the fauves, or of incipient Expressionism? And when he got back, was it consciously that he looked to Guthrie, Melville, Clausen and the Glasgow Boys to see what he could take, or to Stanhope Forbes, Laura Knight and the Newlyn School, for he spent a lot of time in Cornwall in those years? And what about Wilson Steer, Augustus John, Matthew Smith and the New English Art Club, James Pryde and the Beggarstaff Brothers, Sickert and Camden Town, Shannon, Lavery and Orpen? And there is Bastien-Lepage whose *plein air* realism of the 1880s had struck so plangent a chord with the British artists who came in contact with him, none more so than those from Glasgow and Cornwall. By the 1900s it was an influence on British art well set in a second generation. An exhibition that examined Munnings in the proper context of his early contemporaries is now an obvious necessity, for his work is shot through with their echoes, resonances and reflections.

But for his part such influences, clear as they are, may just as well have been picked up by his quick and facile intuition, entirely responsive and unintellectual. This would not invalidate in any way his practical achievement, but it would go some way towards explaining his later puzzled hostility. To have been a part of something one never even realised, let alone understood, and then could never acknowledge, is a peculiar personal tragedy. It is only right that in a small concurrent display in the main gallery, *Munnings v the Moderns*, which sets his sad diatribe and satire work of Picasso, Matisse, Moore, Sutherland, Vaughan, Hepworth *et alia*, the organisers should demonstrate how wrong the old man was.

It is left to his work to win us over. "Does the Subject matter?" was his rhetorical question at the expense of modern art. The answer is: yes, of course, but only in so far as it is the vehicle of good painting and authentic experience. And in paintings from every period in his career he passes the test splendidly, quite as much in such superbly typical equestrian portraits as *The Princess Royal on Portumna* of 1930 and the ineffably smart *Two Dianas* of 1927, as in any of the hunting scenes and large horse fair compositions of the 1900s.

But for all the surprise and pleasure afforded by the smaller works, early and late, the studies and the landscapes, the larger ambitious compositions of his early maturity command the show. The Tate's *City and Suburban Day on Epsom Downs* of 1919 is a delight, alive as much with pleasure in the handling of paint as with its gypsy subject, and the related *Gypsy Life* of 1920 from Aberdeen is quite its equal. Both are in public collections and both should now remain as much as possible in public view. But from Sydney comes *The Coming Storm*, which is rather further to go, and the chance to see this extraordinary work should not be missed. Munnings worked on it on and off for 15 years from 1910. Its subject is a large herd of loose horses being brought to the fair, caught in a shaft of light against the blackest of skies; it is painted with a sweep and freedom, and a spontaneity of painterly invention that take the breath away. It also gives the game away, for by its romantic expressionism — so rich in surface and free in statement—that is entirely of its place and time it shows us that Munnings too was in his way a modern artist.

This exhibition, sponsored by Manchester City Council, the Royal Bank of Scotland and the Arts Council, does not come to London but moves on to York and Bath in the New Year.

Smile/New York

Michael Coveney

The new Marvin Hamlisch and Howard Ashman musical *Smile* at Lunt-Fontanne, New York, shows signs of overcoming a disastrous press reception the other week. Frank Rich of the New York Times opined it was unluckily deficient in a few key areas — music, lyrics, and book. But *Smile* turns out not half as bad as it's been cracked down to be. In fact, I enjoyed it a great deal, and so will audiences less sophisticated than the Times drama critic.

Not that *Smile* is a weak grin; more a satirical rictus prompted by one of the great mythical rituals of middle American life, the Young American Miss (YAMS) regional contests that are "not a meat show but a celebrity of the youth of America." The show, a close blood relation of Hamlisch's biggest hit to date, *A Chorus Line*, builds to select a winner of the Californian state finals over a weekend at Santa Rosa Junior College.

The organiser, Brenda DiCarlo Freelander (Marsha Waterbury) was an also ran 18 years ago and is hoping to further her career on the national committee; the pageant choreographer Tommy French (Michael O'Gorman) is a dilapidated dance captain alive to the mawkishness of turning a few high school kids into Vegas show girls; and a central duet develops between the home town girl from Antelope Valley who learns how to win (Anne Marie Bobby) and the glamour-struck ambitious blonde from Yuba City (Jodi Benson).

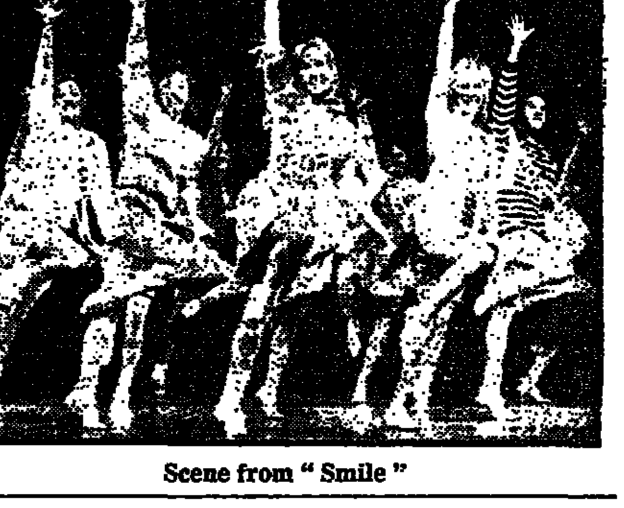
Ashman, who wrote *Little Shop of Horrors*, is a smart and cutting writer and is best here when revelling in the tackiness of the beauty contest whose values "made America what it is today." The climax is superbly managed on a revolve, back stage machinations counterpointed with onstage tension supervised by a grotesquely hilarious MC with a hair-piece and dud warm-up routine (Dick Patterson). But Ashman's libretto — he has also written the lyrics and directed the show—while cleverly upturning all expectations is badly articulated here, and the concluding minutes reveal all the signs of panic and hesitation that have beset the musical in the latter period of its five year preparation.

Hamlisch's score, on the other hand, is his best for some years, certainly since *They're Playing Our Song*, with its pulsating overture and acidly melodic title number to the complex narrative pleasures of "Nerves" and the act one bed-time finale "Until Tomorrow Night" in which a stage full of lovelies in a variegated riot of pink night-wear evoke musical lullaby antecedents in *Annie Get Your Gun* and *42nd Street*.

There is much fun, too, in the preliminary talent contest with such acts as a ventriloquist's dummy who hardly moves his lips and a hot shot Mexican musical cooking spot (rhyming "gazpacho" with "macho") by the girl who is victimised by a less talented rival.

A nude rear view is slipped into the anodyne slide show, but the pornography arguments might have been elaborated in a more serious manner than the interloping prankishness of the organiser's son. And her marriage, under threat by a questioning spouse, remains another grey area.

But this is a good subject for an American musical and the splendid designs of Douglas W. Schmidt and costumes of William Ivey Long brilliantly conjure the visual paradigm of a competitive nation on the make, that brazen mixture of career greed and flip social guilt encapsulated in the statement of a contestant who wants to be a model and work with the mentally retarded.



Scene from "Smile"

London Symphony/Festival Hall

Andrew Clements

Krystian Zimerman's Brahms continues to develop and deepen. Performances of the two piano concertos in previous seasons have invariably contained marvellous conceived things but lacked a consistent control of structure. In the D minor Concerto on Sunday afternoon, however, the enviable range of colour and sonority was matched by a rigour that survived all the obstacles that the London Symphony Orchestra in its most lackadaisical temper could place in its way.

The "thoughtful grace" of Zimerman's Liszt concerto last week—as David Murray wrote—emerged most potently in the opening of the Brahms slow movement: rapt, beautifully voiced playing, which grew naturally in intensity without ever losing its lyrical charm. *That side of his art we know* well; less familiar were the strength and clarity with which the first movement was attacked, taking the music in charge after a ragged opening tutti, giving the finale's opening theme a delicious lilt, plunging into the cadenza with barely disguised ferocity.

With an orchestra prepared to commit itself to the cause it would have become an achievement of a very high order. But all Gary Bertini's promptings could not tighten the LSO's ensemble (violins and cellos were almost a semiquaver adrift in the very first phrase of the concerto), restore agreement over intonation, nor give a sheen to string tone that never sounded the product of a top-flight band.

The details that did emerge suggested Bertini's accompaniments could have been a considerable enhancement but too often they foundered on a blunted response from his players, which similarly wrecked the chance of anything other than a routinely noisy account of Chaikovsky's Fifth Symphony after the interval. One felt very sorry for Bertini, who clearly deserved a good deal better.

Black Ey'd Susan/Croydon Warehouse

Claire Armitstead

Lest children should have all the fun, the enterprising Croydon Warehouse has gone back to the theatre library stacks and dusted down for its Christmas offering a genre much ridiculed but little seen a century or more after its heyday. *Black Ey'd Susan* is a rollicking nautical melodrama written by one-time midshipman Douglas Jerrold and first produced in 1829.

It tells the story of the eponymous Susan, abandoned by her sailor husband to the wicked wiles of her uncle and the lust of assorted gentlemen; of William's return from the sea: of how he stabs his captain in the act of compromising Susan's virtue, is court-martialled and sentenced to hang. Jerrold borrowed his subject from John Gay's ballad of the same name, and the production is peppered with songs from the 18th and 19th centuries, some of which post date the play but serve all the same to evoke the peculiar mixture of sentimentality and heroics that was such an indispensible part of the Victorian psyche.

As a piece of archaeology, the production, with Warehouse artistic director Ted Craig at the helm, is interesting—not least because of what it says about a contemporary adult audience's response to conventions it knows but does not share. We understand about hissing and cheering and will do so more or less on cue, but our appreciation of melodrama is inevitably tainted by the subsequent burlesques. What is funniest is the thought that any of it could ever have been taken seriously.

The cast of five, doubling to furnish a dramatis personae of 13, enters into the occasion with a sense of fun that is picked up by an audience seated around beer barrels. Simon Slater does sterling work with the difficult part of William—a man whose penchant for cod-nautical metaphors must not be allowed to demean his sentimental defence of the wronged husband. But there are problems with Rita Wolf's Susan whose angry tears *and flashing eyes throw the* balance of wronged innocence: there is no sense of outward weakness to offset the inner strength.

There are other signs, too, that some of the ideas have not been thoroughly thought through—not least in Michael Pavelka's set of louvred doors and matchstick settle more evocative of a trip down to Allied Furnishing than of the intended seaboard existence. Nevertheless, this is a bold and imaginative addition to the Christmas lists.

Saleroom/Antony Thorncroft

Japanese actors sought

This is Japanese week in London and Christie's kicked off with an auction which totalled £186,252 in its morning session, with just 9 per cent unsold. An American private buyer headed the bidding, paying £24,200 for a print by Kunisada of the actor Onoe Matsusuke II as a carpenter in a play performed in 1813. He also bought a print of Nakamura Matsue III as a courtesan in a play dated to 1814 for £14,300. Both prices were way above estimate.

The famous Hiroshige print known as "The sudden shower at Atake" doubled its estimate at £8,800 and a six leaf screen of the Edo period also did well at £8,250.

Phillips was pleased with itself after its toy sale in New York at the weekend. It has *always dominated the market* for toy soldiers and established another new record when a set of the Army Service supply column, of the Boer War period, made by Britain, sold to an American collector for £8,462.

The previous best was the £7,200 it realised in April for a Britain's set of the Royal Horse Artillery at the gallop. A set of the same regiment at the halt went for £6,539 in New York. Another impressive price was the £5,386 paid for a Hubley cast-iron 1927 Packard sedan, 11 inches long.

Furniture was much in demand in New York over the weekend. Christie's established an auction record for a 20th century chair when a high backed oak chair with a leather seat sold for £136,500, three times its estimate. Its appeal was its designer, the famous American architect, Frank Lloyd Wright.

The chair was bought by Mr Thomas Monaghan who runs a leading pizza chain with a HQ in Frank Lloyd Wright Drive, Ann Arbor, Michigan. He is an avid collector of anything which links the two.

Sotheby's *sold English furniture* for £2m, with 16 per cent bought in. A George III satinwood and partridgewood library breakfront secretary bookcase doubled its estimate at £79,931 and a set of 12 George III shield back armchairs, together with six matching copies, went for £76,125. They were designed by James Wyatt from Broome Park in Kent.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

December 12–18

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Der Barbier von Sevilla has fine interpretations by Catherine Gayer, Kaja Borris, Rüdiger Wohlers and Manfred Röhrl. Der Troubadour, sung in Italian is a Herbert von Karajan production. Hänsel und Gretel brings Karan Armstrong, Barbara Scherler and Gudrun Sieber together (34 381).

Hamburg, Staatsoper: Hänsel und Gretel features Hildegard Hartwig, Lisbeth Balslev and Yoko Kawahara. Turandot stars Eva Marton, Rachel Joselson, Harald Stamm and Giorgio Lamberti. Also Il travatore with Awilda Verdejo, Lando Bartolini and Piero Cappuccilli. (35 11 51).

Frankfurt, Opera: Der Zigeunerbaron is conducted by Volkmar Olbrich. Orpheus in der Unterwelt has Nikos Athinäos and Sharon Markovich in the main parts. Siegfried is led by William Cochran, Catarina Ligendza, Cornelia Berger (25 621).

Cologne, Opera: Die Zauberflöte, with Haseon Kwon, Nadine Secunde. Hänsel und Gretel is a well done repertoire performance. (20 761).

Stuttgart, Württembergisches Staatstheater: The new Alceste has Dunja Vejzovic (instead of Jessye Norman), Jon Garrison, Michael Ebbecke, Uwe Hailmann and Tero Hannula. Jenufa, Grace Hoffman, Eva Randova, Gabriele Benackova-Cap and Manfred Jung. (2 03 21).

PARIS

Romeo and Juliette performed by the Ballet de Tours with Jean Christophe Maillot. Théâtre de la Ville (4887 5442).

LONDON

Royal Opera, Covent Garden: Samson, a Händel oratorio produced by Elijah Moshinsky for the Händel centenary celebrations, returns with a properly style-conscious Händel conductor, Roger Norrington, and a good cast – Robert Tear in the title role, Carol Vaness, Donald McIntyre, Gywnne Howell. Last performances of the limpingly dull Zauberflöte revival, with Peter Schneider the dry conductor and an ill-assorted cast, in which only Karita Mattila's Pamina makes much impression. (240 1066).

English National Opera, Coliseum: The new Carmen, set in a modern rubbish-dump environment, offers a mostly rubbishy as well as a deadly dull view of the work. Also in repertory: the bright and quite gripping updated productions of Cav and Pag, with Jane Eaglen particularly effective in the Mascagni opera; and the ENO's perennial Fledermaus, led this time by two of the company's most delightful sopranos, Valerie Masterson (Rosalinde) and Lillian Watson (Adele). (836 3161).

ITALY

Milan: Teatro alla Scala: Nabucco, chosen by conducter Riccardo Muti to open his first season as musical director. It is the opera with which the scala re-opened in 1946, after severe bombing. In the cast are Ghena Dimitrova, Raquel Pierotti, Bruno Beccaria, Paata Burchuladze and Giorgio Zancanaro. The Magic Flute conducted by Adam Fischer and directed by John Cox with scenery and costumes by David Hockney. (80 91 26).

Rome: Teatro dell'Opera: A group of ballets by Roland Petit under the title Ma Pavlova to Chopin, Bach and Saint-Saens danced by the Teatro dell'Opera company with Dominique Khalfouni, Denys Ganio, Jean-Pierre Aviote and Jean-Charles Verchère, conducted by Alberto Ventura. Also, a slightly lacklustre performance of Donizetti's Don Pasquale, conducted by Spiros Argiris with Jenny Drivala, Mario Bertolino, Piero Guarnera and Luigi Petroni. (46 17 55).

Bologna: Teatro Communale: La Traviata, with the young Italian soprano, Fiamma Izzo d'Amico as Violetta (alternating with Jenny Drivala) and the American tenor, Neil Wilson as Alfredo. Richard Chailly conducts. (.22 999).

NEW YORK

Metropolitan Opera (Opera House): The week features the first seasonal performance of La Bohème conducted by Julius Rudel in Franco Zeffirelli's production with Leona Mitchell, Barbara Daniels and Brian Schexnayder. It joins the repertoire of Fidelio conducted by Klaus Tennstedt in Otto Schenk's production with Hildegard Behrens and Robert Schunk; Die Fledermaus conducted by Jeffrey Tate with Kiri Te Kanawa, Tatiana Troyanos and Otto Schenk in Otto Schenk's production: and I Puritani conducted by Richard Bonynge in Sandro Sequi's production with Joan Sutherland, Sherrill Milnes and Samuel Ramey. Lincoln Center (362 6000).

WASHINGTON

Washington Opera (Terrace) The second part of the company's season at the Terrace Theatre features Don Pasquale in a new production by Douglas Wager conducted by Cal Stewart Kellogg with Francois Loup in the title role, Pamela South as Norina and Gran Wilson as Ernesto. The 1982 English language production of The Abduction from the Seraglio returns conducted by Arnold Ostman with Joyce Guyer as Constanze, David Kuebler as Belmonte and Kenneth Cox as Osmin. Kennedy Center (254 9895).

CHICAGO

Lyric Opera: Lotfi Mansouri's 1981 production of The Merry Widow makes its holiday reappearance conducted by Baldo Podic with Maria Ewing in the title role, Alan Titus as Prince Danilo and Jerry Hadley as Camille de Rossillony. The week includes Janacek's Katya Kabanova sung in English featuring Ellen Shade in the title role with her lover Boris played by Dennis Bailey and oppressive uncle Dikoy by William Wildermann, conducted by Bruno Bartoletti in Virginio Puecher's production. (332 2244).

NETHERLANDS

Eindhoven, Schouwburg. Ravel's L'Heure Espagnole *and* De Falla's Retablo de Maese Pedro in a double bill from the Netherlands Opera. The Netherlands Philharmonic conducted by Kenneth Montgomery, with soloists Anne Howells, Hein Meins, Laurence Dale and Jean-Philippe Lafont (Tue). (11 11 22).

The Pilobolus Dance Theatre on tour from America: Mon in Enschede, Schouwburg (32 32 33), Wed in Den Bosch, Casino (125 125) Thur in Rotterdam, Zuidplein Theatre (481 58 44).

VIENNA

Staatsoper: Werther conducted by Davis with Baltsa, Carreras, Lind, Weikl; Manon Lescaut conducted by Segerstam with Freni, Hintermeier, Weikl; Don Giovanni conducted by Hager with Gruberova, Alexander, Schuman, Prey; Der Rosenkavalier, conducted by Wallberg, with Jones, Schmidt, Wise; Die Verkaufte Braut conducted by Kout with Jahn, Bohman, Slania (51 444/26 55).

Volksoper: Fra Diavolo; Die Fledermaus; Hänsel und Gretel; Der Wildschütz; Der Mantel and Gianni Schicchi (51 444/26 55).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Tuesday December 16 1986

Japan's imperial anachronism

THE BASIC facts about the Japanese enigma, the problem of a super-producer which seems reluctant to consume, are by now the familiar small change of every debate on international economic relations, and it is no surprise that the OECD's annual report on the Japanese economy has no blinding new insights to offer. On the other hand its 90-odd pages of painstaking detail are a useful corrective to some of the more sweeping generalisations which are normal in these discussions, and may help to divert attention from current obsessions with pure financial liberalisation on to more important topics.

The first point which stands out is that Japanese industry is not, as is commonly supposed, now struggling with the problems of an over-valued currency. There is certainly a major adjustment problem, but this arises from the fact that over most of the period since the second oil shock the yen has been glossily undervalued. This is apparent not only from measures of the exchange rate against that warranted by, say, comparative unit labour costs, but more tellingly by the fact that many Japanese goods were until recently exported at substantially higher yen prices than were charged in the home market. The relationship with Japan's major Western competitors, now stabilised by agreement with the US, is broadly in line with that which ruled in the early 1970s, and has brought export and domestic prices back into alignment.

Restrictive barriers

In the long run this is likely to stimulate, rather than to stifle, Japanese productive industry. As the report shows, an immediate effect has been to reinforce modernisation. Prices of bread-and-butter products — including many pioneered by the Japanese themselves—have had to be cut sharply in export markets, but industries still at the leading edge have been able to hold yen prices nearly stable.

Japan's most sophisticated exporters are still more hampered by the restrictive barriers and "voluntary" restraints imposed during the super-competitive period than by the exchange rate. The market response to the yen's revaluation is likely to remain subdued, because trade was never allowed fully to reflect its previous under-valuation.

Japan thus faces a shortish adjustment period, in which growth is likely to be only about half the economy's productive potential, but a much more obstinate problem of trade imbalance, since export growth is likely to resume after a shake-out of products which are no longer competitive against Japan's Asian's neighbours. This persistent surplus arises because Japan is geared to respond primarily to foreign demand. To change that orientation, as the Mayekawa report demands should be done, will be a major task.

Archaic controls

The main problem is one of inefficiency and market failure at the domestic level. Trade in food makes even the EEC regime look liberal. The cheap imports now available are handled by state monopolies which have simply taken the opportunity to fund subsidies to Japanese farmers outside the tax system. The Japanese consumer has had no benefit.

The report describes in some detail the archaic planning restrictions and development controls which hamper the replacement of the housing stock—a prime requirement if Japanese citizens are ever to enjoy the potential fruits of their industriousness. This is a lesson which needs driving home: the Japanese have so far used financial incentives for development which have simply driven up land prices.

The report is strangely silent, though, on the other faults of the Japanese tax system, which given excessive privileges to savers in certain state schemes, and charges excessive tax on income not saved. Nor does it challenge the Japanese obsession with the dangers of fiscal deficit, because of future problem with an ageing population. It is hard to see how an economy which is acquiring foreign assets at a rate of some $80bn annually can be called improvident, or how holding back current growth can create resources to meet future demand. If the Japanese economy were energised and liberated at home, it might meet less restrictive attitudes in other parts of the world.

Companies and the community

LAST NIGHT, representatives of some of Britain's largest companies met at 10 Downing Street to launch the Per Cent Club. Each has agreed to make annual "community contributions" — loosely defined — amounting to at least half a per cent of their pre-tax profits. The question is whether companies have the responsibility or even the right to concern themselves with such philanthropic gestures. Should not their only concern be to maximise dividend payments, leaving individual shareholders to decide what to do with the wealth which rightfully belongs to them?

The trouble with this argument is that it assumes companies consist of nothing more than a balance sheet and an income stream. In reality, every good manager knows that success comes from assembling a group of skilled people, and motivating them. Far from being inanimate, companies consist of groups of individuals with an interest in a thriving society. Apart from old-fashioned philanthropy, there are two sound commercial reasons for companies to be concerned about the health of the community in which they operate.

Valuable support

One stems from what might be called the sponsorship role, whereby a company establishes itself as a good community citizen. It might do this by seeking to find suppliers among local small companies, by supporting a nearby enterprise agency, or by encouraging its employees to become involved in local causes. As ICI has found to its advantage, such efforts can be a big help with it comes to managing change. The message is that a business which is concerned about the fate of the employees which it is forced to lay off will do better with those which it retains.

Such an approach may pay even bigger dividends. Pilkington Brothers has been responsible for thousands of job losses in St Helens during recent years. But the way it handled those painful cuts is bringing it valuable support during its current efforts to avoid a hostile takeover by BTR.

All this may be no more than a rather sophisticated form of public relations. The second reason for companies to think their responsibilities go wider than their shareholders is that their own health depends on the availability of an educated workforce, on the demands of a prosperous marketplace and—to take an extreme position—on social stability.

This is most obvious in the case of small companies which are wholly committed to one area. But it also applies to much larger concerns—food retailers, which are squeezing their way into the southern half of the country in their search for well heeled customers, or clearing banks, which have had to review the viability of their operations in whole sections of the inner cities.

Southern drift

One problem is that manufacturing companies in depressed areas tend to be the least able to take a long view of their commercial interests. Another is that so many of the UK's large companies are headquartered in the South East. Whereas American cities like Pittsburgh or Cleveland can persuade large numbers of important companies to take a pride in their community, cities like Glasgow and Liverpool have seen some of their biggest companies drift away to the South.

However, there are signs that companies are becoming more concerned about their broader economic role. One interesting development was the launch last week of a pilot project in Halifax, intended to bring the private sector together with local and central government plus the voluntary agencies to work for economic revival in the area. The Per Cent Club is part of a similar pattern. Its aims are quite modest, and it is certainly not going to change the world. But if it does no more than persuade other companies to think about these issues, then the exercise will have been worth while.

Much more needs to be done, and by all sorts of companies. For example, insurance companies need to think more creatively about the problem of red lining, which makes small businesses more or less uninsurable in high risk areas. Clearing banks have to think whether the criteria which apply to loans in Virginia Water should also apply in Brixton. The reward for such efforts, if they are successful, will be much more tangible than a sense of philanthropic well-being.

THE EUROBOND MARKET

The sour taste of success

By Alexander Nicoll, Euromarkets Editor

ON THE surface, all is well. The Eurobond market's growth continues to set records, and its professionals continue to produce a stream of innovative debt instruments aimed at satisfying the needs of borrowers and investors.

Yet some of the market's most senior figures are worried.

In what should have been a golden year, with falling interest rates in most countries producing strong bond markets and therefore ample profit opportunities for investment banks, a significant number of those houses active in the Eurobond market are believed to have suffered losses or a woefully inadequate return on capital.

Fierce competition for new issue business has shaved profit margins and undermined issuing methods. And fragilities in the secondary trading market were dramatically exposed early this month when business all but stopped in an important sector, the markt for "perpetual" floating rate notes.

The incident was embarrassing for a market which has shot to prominence in the UK through the current merger of a grouping of international firms with the London Stock Exchange, seen by many people as a takeover of the domestic marketplace by foreign firms.

It also came at a time when the hitherto unregulated Eurobond market is facing the imposition of UK investor protection law, setting new standards for capital adequancy as well as introducing surveillance of the market through new rules on reporting of prices and trades. Just as awkwardly, it occurred while contentious attempts are under way among bond trading firms to enforce greater discipline in their dealings with each other.

Since Eurobond houses, like the investors they serve, tend to be secretive, the full extent of losses or shortfalls this year is unlikely to be known. What is clear, however, is that the market has become crammed with professional participants.

Given the Eurobond market's size, its rapid growth and its cross-border nature, it was natural that banks should have been devoting ever greater resources to it.

The Swiss-American firm Credit Suisse First Boston has held on to its position as the leading new issue manager, and other US houses such as Morgan Guaranty, Salomon Brothers, Morgan Stanley and Merrill Lynch are still powerful forces. But Japanese securities houses such as Nomura and Daiwa have muscled their way up the league tables measuring lead management of bond issues. European banks such as Deutsche Bank, Banque Paribas and Union Bank of Switzerland have also been making strides.

Many other banks, however, are desperate for a share of the action as the world's securities markets grow at the expense of traditional bank lending and as the markets go global, with paper traded from time zone to time zone. Many fear they may lose prized long-term relationships with corporate customers unless they can provide them with capital markets services.

So new entrants are still arriving on the scene, devoting significant amounts of capital to a presence in the international capital markets.

The Eurobond market — a Eurobond is a debt security issued internationally, typically in bearer (non-registered) form outside the country of the currency in which it is denominated—may be seen as the precursor of today's global securities markets. Borrowers and investors are spread around the world, and the intermediaries are spread across Europe, though the majority of business is done from London.

Founded in the early 1960s, Eurobond market has traditionally provided a competitive source of funding for borrowers who can tap discreet but important pockets of demand. The Belgian dentist is the proverbial investor, and there are still plenty of wealthy individuals who like the anonymity which bearer securities afford as well as the yields they can earn. In the past few years, however, Japanese institutions — banks, pension funds, and insurance companies — have probably become the most important investors.

Borrowers like the market, too: the British Government, for example, this year raised $4bn with the largest single Eurobond ever. Corporate names like Pepsico and Philip Morris have built up respected reputations among the dentists, and supranational entities like the World Bank are also important forces.

Whatever its current internal problems, with turnover averaging $13bn daily, the Eurobond market is the world's second largest securities market after the US bond market in terms of trading volume, and the third largest after the US and Japan in terms of debt outstanding.

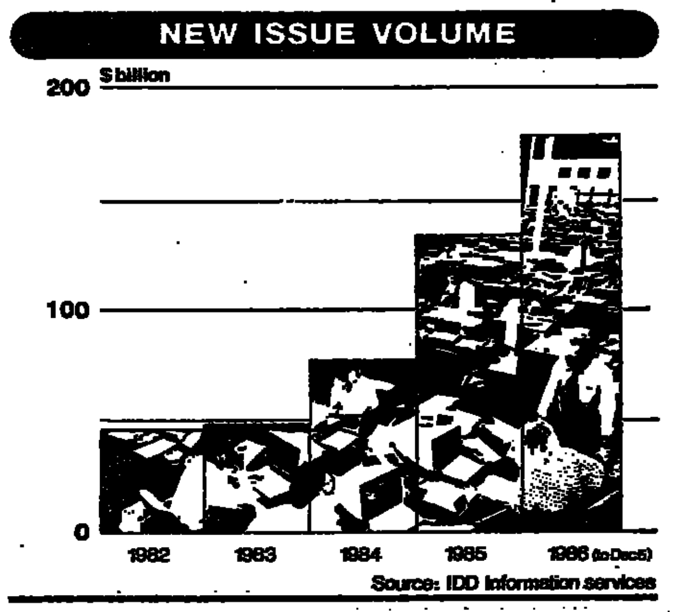
With the US trade deficit pumping dollars offshore, there is still plenty of money available to be invested in Eurobonds, even though the dollar's fall made continental investors wary at times this year of buying dollar bonds. Problems could mount, however, for investment banks if a rise in interest rates were to reduce the profitability of their bond trading positions as well as the amount of available new issue business.

For the competitive pressures—always strong—have intensified this year, particularly as Japanese firms, eager to provide investment opportunities for cash-rich clients at home, have launched their drive up the league tables.

Many bankers accuse Japanese firms of "kami-kaze" pricing of issues in order to win market share—the equivalent in the financial world of dumping of industrial products on export markets.

Competition has placed severe strains on issuing methods. The syndication process, in which a lead manager "buys" an issue from the borrower and then quickly syndicates it, spreading the risk among a group of other managers, has suffered abuses.

The urge to win mandates from borrowers to lead-manage issues produces what one of the market's leading lights, Mr Stanley Ross of Deutsche Bank Capital Markets, calls the "tombstone syndrome"—a reference to advertisements giving details of new bond issues, with lead managers' names at the top of a carefully laid out tableau listing participants.



Battles to win mandates produce bond terms which may make it hard for the victor to make a profit out of the deal. This has been particularly so this year when markets in which lead managers might protect, or "hedge," their positions—such as the US Treasury bond market—have been very volatile, causing gyrations in yield margins which make it difficult to hedge. The Eurobond market so far has no hedging vehicle of its own.

Too often, after launching such issues and laying off the risk to other participants in the syndicate, lead managers do not provide adequate support by bidding to buy back the paper in the market. An issue's price can thus slump.

In addition, co-managers — more junior participants in syndicates—tend to agree to go into deals because they do not like to turn them down, perhaps in order to maintain a relationship with lead manager or borrower. But many then anonymously offload their commitments back on to the lead manager. This leads to poor distribution and control of an issue.

There are signs of greater self-discipline in the market which could allow these problems. Banks are increasingly turning down invitations to take part in issues they see as unprofitable. There is also a trend towards smaller management groups.

Given the difficulties of turning a profit out of primary business, many houses are also focusing on the secondary trading market. Here too, inadequacies have been exposed. A liquid secondary market is increasingly important for institutional investors who, taking a more short-term view of portfolio performance, tend nowadays to trade bond portfolios for capital gain rather than for long-term investment return.

The secondary market's frailty was thrust into the limelight earlier this month by a sudden sharp drop in the prices of perpetual floating rate notes—securities issued mostly by banks over the past two years to bolster their capital. They are perpetual in that they carry no final maturity date and thus may never be repaid.

Any market is liable to suffer a shake-out now and again, and to emerge the healthier afterwards. Prices in the $17bn perpetual sector have since been recovering. What was significant, however, was the reaction of market making firms.

Some 40 houses—a large number given the sector's size—had been making two-way prices to each other in perpetuals, forming a core of liquidity. This was seen as vital for investors given that the debt concerned must always be traded, as it may never be repaid. As the market began to fall, it became clear that much of the debt had never found a home among end-investors, but had been washing around in the market.

The drop was self-fuelling. Market makers cut prices drastically in a rush to rid themselves of positions and thereby cut their losses. Since they did not wish to take on new positions, reluctance to make two-way prices—both bid and offered — quickly showed through. Many simply stopped making a market. Liquidity dried up and the sector ground to a halt.

Trading only really resumed after two crisis meetings of market makers. Many are still out of the sector.

The incident not only provoked rancour and hysteria, suggesting serious overcrowding, but is thought to have caused large losses which will lead to revisions of strategy at some firms

"Too many people have been in the market for the wrong reasons," says Mr Ross of Deutsche Bank.

Mr Tom Beacham of Wood Gundy, a prominent figure in the Association of International Bond Dealers, says shake-outs like this "could bring some sanity back into the market." Many in the market believe the headlong rush by houses to get into trading has excessively inflated salaries and overheads.

The Eurobond market, despite its free-wheeling nature, has had remarkably few scandals. Its difficulties come, however, at a critical moment, as many senior practitioners take on new roles as members of the councils of the London Stock Exchange and of the new UK securities self-regulatory body, the Securities Association. The AIBD, hitherto an informal trade association with some 800 member firms, is to be a self-regulating exchange within the new UK structure, responsible for overseeing price and dealing information.

As a cross-border market subject so far to little domestic regulation, the advent of Britain's Financial Services Act in its major centre is divisive as well as irksome. Continental firms who make up a majority of the members of the AIBD resent the imposition of domestic regulations on an offshore market.

Practitioners such as Mr Beacham have long felt, however, that liquidity would be enhanced if a measure of self-regulation could be introduced. Hence he has spearheaded the drafting of rules for secondary market makers which are due to come into force and would, if applied to the FRN sector, have barred the actions taken by many market makers last week.

Some practitioners feel that lack of liquidity in individual Eurobond issues has caused a drain of investment money away into the highly liquid US Treasury market, which efforts such as these will aim to correct. Others see investors being attracted away from Eurobonds and into new instruments now being developed by the Euromarkets, and into equities — an area into which Eurobond houses are rapidly expanding.

These factors, perhaps combined with a shrinking of banks' current large underwriting capacity, reduced willingness to participate for unsatisfactory returns, and changes in the interest rate yield curve, could mean that new issue volume in the Eurobond market has reached a peak.

Mr Michael Webber of NatWest Investment Bank says: "We may not see the Eurobond market reaching this year's size for the next five years. We may well have peaked in terms of volume of new debt issues in the Eurobond market."

Men and Matters

Christmas box for Stuart

With Metal Box returned to healthy profits after weathering a bad patch a few years ago, chairman Brian Smith—formerly of ICI—yesterday disclosed two key appointments to set the style for his new management team.

Scottish accountant Murray Stuart, aged 53, moves from finance director of the group, a job he has held for the last five years, to become group managing director.

The main board, which Smith slimmed down from 11 to seven during the last year following his arrival, is now increased to eight with the appointment of Alex Watson. He is an old Metal Box hand having been with the group since 1964—lately as managing director of the food packaging division.

Stuart is yet another of those Ford-trained management men I was writing about recently who have gone on to occupy top business slots. He practised as a lawyer in Scotland for just three months after qualifying, decided accountancy would be more to his liking, qualified as a chartered accountant, and spent nearly four years with Ford in the central financial management of the English company.

"Look, make our mind up—a Nimrod or a Boeing?"

He went on to work in finance and management in engineering and retailing before joining ICL. He spent five years with the computer group as finance director and, eventually, deputy managing director.

Apart from helping with the strategic direction of Metal Box, Stuart will be, in effect, the chief operating officer responsible for the day-to-day running from the Reading international HQ of what is now a group with the emphasis upon decentralised management among divisions centred upon the UK, Europe, and the United States.

Women in law

An all-women bench of judges made legal history in Britain yesterday when they sat in one of the appeal courts.

The scene was the High Court family division's court dealing with appeals in a wide variety of matrimonial disputes. The senior judge was Mrs Justice Heilbron, aged 72, who is the oldest and longest-serving of the existing three women High Court judges. Sitting with her was Mrs Justice Butler-Sloss.

The third woman High Court judge, Mrs Justice Booth, was sitting in another court in the building.

As a woman lawyer was heard to say outside the court. "The only thing that surprises me is that there are still only three women High Court judges."

Sound choices

Leaving the BBC unexpectedly after long years of service clearly has a rejuvenating effect on those involved.

Richard Francis, managing director of BBC Radio, who left the corporation in May, eight years before the normal retirement age, has been on the way up ever since.

He has been chosen as president of the Radio Academy and in July he takes over as director general of the British Council.

Now the same sort of thing is happening to Charles McLelland, former deputy director of BBC Radio, who left on the same day as Francis following a meeting of the BBC Board of Governors.

McClelland, too, is to become a director general—in this case director general of the Association of British Travel Agents.

The present managing director of BBC Radio, Brian Wenham would like to become a director general too —of the BBC.

Stock rise

Barely seven weeks after Big Bang, Salomon Brothers, the Wall Street investment banking and securities house, is promoting the Brit who led its London equities department into the new era.

Peter Clarke, manager of the equity department of Salomon Brothers International, which operates from a new trading centre in London's Buckingham Palace Road, has been made a managing director of the parent company.

Clarke, 36, cut his financial teeth at Barclays Bank pension fund. He joined Salomon in 1977 and after carrying the firm's banner into Tokyo, he was brought back to London in 1982 to head the equity department.

Clarke's promotion does not mean he will be leaving London for New York. With Salomon already making a strong play for the huge bought deals likely to feature in London's equity market, he expects to be kept fully occupied on his home ground.

Work out

Companies concerned about how to plan their employment policies with the ever-looming prospect of a eGneral Election will have a chance to try to make their minds up, courtesy of the joint management-union Industrial Society.

The society is bringing togethe rthe employment spokesman for the three main political groupings—Kenneth Clarke, the Paymaster General, for the Conservatives; John Prescott for Labour; and Richard Wainwright for the Alliance—in a conference to outline their policies on employment, unemployment and industrial relations.

The date chosen for the conference is April 7, which society officials hope will be sufficiently close to an election to give it even greater piquancy. Perhaps Perhaps they know something no one else—bar perhaps Mrs Thatcher—does?

Outlook bearish

A public relations man went on a visit to Prague.

One day a high party official took him into the hills for a bear hunt. They found a couple of bears, a male and a female, but unfortunately one of the bears ate the official. The public relations man was lucky to escape with his life.

A posse of hunters asked him to venture out again to identify the bear that had eaten the official.

The bears were cornered, and the public relations man was asked which bear was responsible. "The male bear," he answered readily. So the male bear was shot. But not official was found in it.

So the female bear was shot. Sure enough, she had eaten the high party official.

Which shows you should never believe a public relations man when hesays that the Czech is in the male.

Observer

Letters to the Editor

Formidable objections to contested takeovers

From the Chairman, Wider Share Ownership Council.

Sir,—John Plender's article (December 9) is not of course the first commentary on the current takeover scene and it will certainly not be the last. The activities of corporate predators will continue to command maximum attention and publicity until they are either curtailed by regulation or scattered by a financial catastrophe.

To rehearse all the numerous and *formidable objections* to contested takeovers (and we must be clear that it is only contested takeovers that are in question) is a task beyond the scope of a single letter. Briefly, they inhibit productive investment, research and development, distract management from its proper tasks, create manifest conflicts of interest between directors and shareholders, encourage insider trading and waste enormous sums of money; most seriously of all, perhaps, they create the impression that the City is nothing better than a jungle where predators and speculators thrive while the small investor is ignored. All this is highly discouraging to the champions or wider share ownership but meat and drink to the enemies of capitalism and the free society.

John Plender is right to point out that we have—so far—avoided the very worst features of these operations. To raise expensive loans for the sole purpose of buying back a company's own shares must surely be the ultimate in corporate irresponsibility. But both we and the Americans should be beginning to ask ourselves whether we are so bemused by financial levitation that we are forgetting the lessons of history. Could it perhaps be that junk bonds are the latter-day equivalent of the margin trading that precipitated the great crash of 1929 and the fringe bank loans that destroyed the British market in 1974?

Edgar Palamountain.
94 St Paul's Churchyard, EC4.

From Frances Moss

Sir,—Mr J. Rhys-Burgess, writing (December 11) on mergers and the public interest, refers to the essential and morally inalienable proprietary rights of individual shareholders of companies. The fact that he is not joking, but seriously considers that no other parties even have a moral right to influence the outcome of proposed takeover bids precisely illustrats how the British economy has achieved its present depressing state.

Sir Gordon Borrie, by suggesting that companies making takeover bids ought to show that positive benefits would accrue, is merely pointing out the obvious. It should not need to be said. If we all seek to make a fast buck in the short-term, in the long run there will be nothing left to take over.

Frances Moss.
28 Roupell Street, SE1.

Battle lines for change

From Mr L. Clarke.

Sir,—As one who helped write South African Government propaganda, at one time, for its apartheid and "homelands" policies, and so knows something of both the image and the reality, I find the real flaw in Mr Anthony Robinson's "Battle lines for change" about the Natal indaba (December 11) to be that he gives the case for this complex plan in great detail, but mentions barely a word of the case against. Yet the latter is quickly stated, and factual.

The Zulus' equal ancestors originally settled all Natal. Armed white conquest and apartheid now allocate only 30 per cent of Natal to 6m Zulus, and nearly all the rest to 650,000-odd whites. As the Natal indaba proposals make no provision for any realistic transfer of land from white to black, the new, allegedly "non-racial" Natal will be born with whites, per capita, still owning some twenty times more land than blacks.

This is what is behind those sonorous phrases about "all citizens will be guaranteed the right to own land anywhere in the province." How do the black starving and impoverished buy back their country from its wealthy white owners?

But that is not all. An Upper House with veto-power, where the white population's representation is racially 10 times more powerful than the black, is the opposite of "non-racial power-sharing." It is just white privilege in a bright new disguise. And not such a new disguise at that, for we have already seen its like, just two or three hundred miles north.

The Natal indaba bears startling similarities, including its perversion of the term "non-racial," to the doomed and shabbily white - supremacist Muzorewa regime in Ian Smith's Rhodesia, less than eight years ago. It, too, would have taken many generations for an equitable share of land to emerge.

Let us be honest. Would 6m poor whites, discriminated against by a huge ratio of 1:20 in land share, meekly wait decade after decade to buy their own land back from a mere 650,000 wealthy blacks — to whom it didn't belong in the first place?

L. Clarke,
Porthcanan,
Middle Road,
Denham,
Uxbridge, Middlesex.

A scenario for Hotol

From Dr N. Young

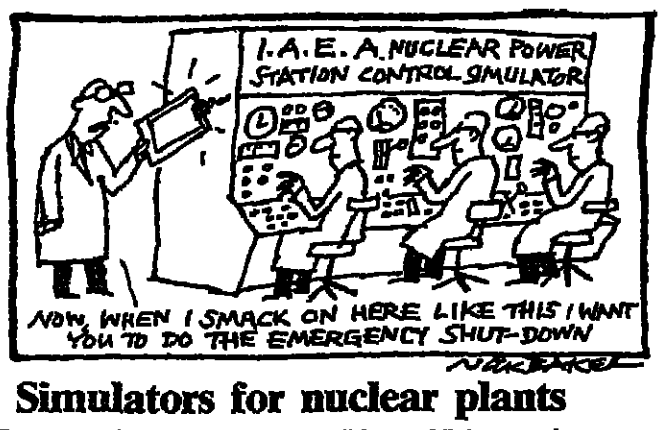
Sir,—Suppose for the sake of argument that British Aerospace and Rolls-Royce really believed they could make Hotol work. Suppose further that the Government believed this too. The following would then happen. The Government would recognise that even a small fleet of Hotol craft would be of great strategic and commercial value. It would place an order for, say, five. The contract would state the price and the delivery schedule. Payment would be made on delivery only. No price escalation would be allowed. The technology would not be passed to other countries. To keep total costs down and avoid delays in negotiations there would be no shared production. The companies would have to manage a project to budget and timescale, and produce the product. They would be terrified.

No need to worry. Everybody knows the rules. High technology in post-war Britain is not about making products. It is about well-funded R & D studies. It is about important officials going abroad to conferences with other important officials. It is about keeping Britain at the leading edge of technology. It is about keeping knowledge, skills and jobs in the country. It is about having meetings.

But what if something went seriously wrong? What about the technical and commercial risks? No need to worry. Official contracts are not about cost effective purchasing. They are about making sure that the supplier makes exactly 6.7523 per cent nominal profit on a 400 per cent funded cost overrun. Planning is about splitting the production of boggle-toggle sub-assemblies between factories in marginal constituencies in North Wales and Merseyside. In the last resort a few good progress meetings should slow things down till the next Government can cancel the order.

After all, aerospace is different, isn't it?

(Dr) N. J. B. Young.
31 Cornwall Grove, W4



Simulators for nuclear plants

From Mr G. Watts

Sir,—The pilot of a Boeing 747 aircraft has by law to be tested every six months in a simulator when every conceivable emergency can be induced to ensure that he reacts correctly. The test is international. The safety of handling of public transport aircraft is now taken for granted.

Surely it should be compulsory for the watch-keepers on nuclear power stations to undergo a similar test at similar intervals, when every possible reactor malfunction may be introduced and corrected?

It is not possible to do this "for real" in a nuclear power plant, anymore than it is for an aircraft operator to allow two engines to be cut on a 747 take-off.

It is only by repeated training and testing of nuclear power station operatives that we can ensure that no emergency can occur which cannot immediately be coped with.

Both Three Mile Island and Chernobyl were classic examples of the wrong action being taken when unusual circumstances arose.

G. A. H. Watts.
Stroat House,
Stroat,
Chepstow, Gwent.

Life in the fast stream

From Mr D. Duncan

Sir,—Hazel Duffy's account of "Life in the fast stream" (December 9) contains an important misapprehension. The careers-for-life assumption in the civil service is by no means invalidated by the loss of some of the best top civil servants because they feel that pay, promotion, challenge and responsibility are not sufficient to satisfy them.

What would invalidate the assumption — and there seems to be no evidence of this — would be if top civil servants were deemed to have been promoted beyond their level of competence, and had to be asked to resign.

In fact, the brain drain from the top levels of the civil service is a thoroughly healthy tendency which should be encouraged because it improves the promotion prospects, pay, challenge and responsibility for those who remain, and helps to maintain the reputation of the civil service as a source of good administrative material.

David C. Duncan.
Team (Management Appointments),
21, Princes Street W1.

Database at St. Andrews

From the Managing Director, Longman Cartermill

Sir, — Anthony Moreton's interesting piece on science parks (December 9) kindly gave mention to Longman Cartermill, which is based on the science park at the University of St Andrews. It was, however, stated that the company provides a database for British publishers. This is not the case. In fact, Longman Cartermill operates British Expertise in Scence and Technology (BEST), which is the official database established to bridge the gap between academic researchers and industry. BEST currently holds the records of over 13,000 British academics and the database is used on and off-line by such diverse organisations as ICI, Shell, BP, Upjohn, Lucas Aerospace, the Cabinet Office and the Scottish and Welsh development agencies.

The impression that the company uses the computing facilities at St Andrews University should also be corrected. While Longman Cartermill enjoys the most cordial of relationships with the university, all the hardware and software for BEST is owned by the company and operated by our staff. We do, however, have a commercial arrangement with some of the academic staff at the university who act as editorial consultants on specific disciplines.

At St Andrews we have found an excellent location for our business. Our overheads are highly competitive in relation to many other locations, and being so close to full-time academics gives us marketing and commercial strengths which it would not be possible to have on an off-campus site.

M. T. Tobert
Technology Centre,
St. Andrews, Fife.

Women who mean business

From Mr J. Reid

Sir,—Women in the boardroom remain few but the attitude toward women in business has greatly improved during the last two years. Nevertheless they still complain that they find it difficult to obtain their first executive appointment.

They must learn that to obtain a *job* they have to market themselves more effectively, ie develop, present and sell a viable "product" to a "buyer" who needs it (or could be persuaded to use it) at a price which both parties can accept in a competitive market, business being a profit-orientated activity. Remember that a CV tells someone only what you have done, not necessarily what you are or can be and could do, especially if you have been a secretary.

Forget feminist propaganda. It has been taken up and shrieked by extremists and is now doing women a disservice because it is sexually discriminating with their claims for *special* women's rights — although they do want men to have them too. Any executive who is absent on health grounds but intends to return to full-time work unimparied will be kept on full pay whatever the cause *of absence so* why single out maternity leave?

To sum up, effective marketing of the skills required for it will obtain a suitable executive appointment; then the job has to be done well. Avoid separatist preconditions. (Why should there not be common independent lavatories in the executive suite?) Good executives are not in strong supply and those women who can demonstrate that they have what it takes will succeed in business, and be treated without discrimination.

J. M. Reid.
Executive Search,
8a, Symons Street SW3.

Beauty contest judges

From Mr J. Defries

Sir,—If, as Clive Wolman states (December 13), about 80 per cent of professional fund managers, who largely rely on company analysis and economic forecasting, consistently underperform the stock market averages why then should Anthony Harris, in the same issue, suffer a mental block when reading technical market analysis?

Chartists—"beauty contest" judges, as he calls them in *quoting Keynes—consistently* outperform the market averages; although possibly not as well as geographical or sector fund specialists may be able to do from time to time. Nevertheless, they have a record, while not perfect, that is difficult to fault; and proof is available.

Experience has shown that the longer one is involved in investment management the less one really knows. Perhaps, then, it is not too late for Mr Anthony Harris to be less sexist. Let him *forget* about tops, bottoms, heads and shoulders and instead look at "three box reversals."

Jack S. Defries,
43 Brampton Grove, NW4.

Problems involved in the Portuguese economy

From M. Anne Pitcher

Sir,—Your survey of "Portuguese exports and industry" (November 27) is an optimistic appraisal which is not warranted and serves to obscure rather than explain the problems involved in the Portuguese economy.

True, the economy has stabilised this year and inflation is down to 12 per cent. This, however, hardly merits the upbeat tone of many of the headlines in the survey which the articles themselves, upon close reading, do not seem to substantiate. It will take more than one good year for Portugal to shake off a past in which state intervention attained suffocating proportions in both agriculture and industry, to the extent that ministerial authorisation was needed virtually every time a piece of equipment was bought.

Moreover, the observation that reservations are now required in the better restaurants in Oporto is less an example of change than a worrying indication that "old money" has returned from its 10-year, self-imposed exile in Brazil after waiting to see in which direction the Government would go. Along with the old money will come old power bases and patterns of land ownership. It is unclear what effect this will have on the north, but in the Alentejo it is becoming evident that former patterns of land ownership are being recreated as the agrarian reform law is rolled back. These former patterns of land ownership were partially responsible for the abysmal performance of agriculture prior to the revolution in 1974.

With regard to textiles, Frank Gray's article left out crucial details about the state of the industry. For example, Mr Gray mentions that the bankruptcy law passed on September 1, the lowering of interest rates to below 20 per cent and the drop in inflation to around 12 per cent have allowed much of the textile industry to "muddle through" rather than collapse as was predicted when Portugal joined the EEC. I believe it is too early to tell whether the textile industry has survived or not. Nevertheless, let me just explain what "muddling through" actually means in the Portuguese context.

For most of the smaller textile industrialists, "muddling through" means the inability to re-equip or modernise not because they are not "smart" as the article implied, but because they are under-capitalised or are unsure if they have a market in which to locate their production. "Muddling through" means buying low quality cotton because they cannot afford the better quality stuff and concomitantly, marketing inferior products. "Muddling through" means low wages, unstable working hours, few benefits for workers, little or no food subsidies, and poor working conditions. Yes, Portuguese industrialists are "muddling through" as they have done since the 1930s, but it is hardly a situation to be admired.

M. Anne Pitcher,
St Hilda's College,
Oxford.

UK farm debt

The treadmill gets tougher

By Andrew Gowers

SINCE THE climate began to turn chilly for British agriculture, it is not just the farmers themselves that have been catching cold. Increasingly, the bankers who helped to fund one of the country's biggest agricultural booms are finding themselves forced on to the defensive as well.

Rather than rushing to pour new money into farmers' expansion plans, banks are spending more and more of their time restructuring farm businesses in an effort to stave off bankruptcy.

Economists and civil servants nervously watch the slide in land prices and the intensifying pressure on farm incomes, which are gradually eroding individual farmers' equity base and their ability to service debts which now total almost £10bn, according to some estimates. In a few extreme examples, banks *trying to recover money from* delinquent creditors through the courts are having to fight counter-claims alleging negligent lending.

Superficially, there might appear to be some ominous echoes here from the US, where land values have dropped by more than half in recent years, and large numbers of over-borrowed farmers have gone to the wall—in many cases taking their banks with them.

Such comparisons can be misleading. In aggregate, the debt problems of UK farmers are nothing like as serious as those in the US. The degree of speculative expansion has been somewhat less crazy; the subsequent downturn in consequence less severe. What is more, the British institutions involved in lending to agriculture are much stronger and more diversified than the sometimes pathetically small rural banks in the US.

Nevertheless, even the most sanguine British bankers will admit that not all their agricultural lending has been prudent, and that debt problems on the farm may well get considerably worse before they get better.

Agricultural borrowing has *exploded since the 1970s*, with farmers' bank debts rising nearly two-and-a-half-fold in the last 10 years in real terms. Estimates of agriculture's total debt liabilities range between about £7.5bn and £10bn, of which bank lending accounts for £6.3bn. This compares with estimated borrowings of around £1bn in 1970.

In part this growth reflects the coincidence of a flood of generous grants and price incentives under the EEC's Common Agricultural Policy with booming land prices and soaring cost inflation. Although the proportion of total UK bank lending devoted to agriculture is relatively small (just over 3 per cent), farming business was seen by the banks in the 1970s as a significant and profitable growth area—and above all a safe one, backed by land as collateral.

The potentially worrying thing, however, is that borrowing has continued to climb at a time when most of the trends which initially fuelled it have gone into reverse. For example, although inflation is now hovering between 3 and 4 per cent, bank borrowings are still growing at an annual rate of 11 per cent.

The EEC, meanwhile, is trying with increasing desperation to apply the brakes to its agricultural support bill.

The value of farmland—by far the biggest single agricultural asset—has been falling sharply as the industry's confidence and prosperity have begun to wane. Prices for vacant possession land in England and Wales are now about 25 per cent below their 1984 peak in nominal terms, and around half the level of seven years ago in real terms.

The damage that this has inflicted on the industry's balance sheet should not be overstated. The overall ratio between agriculture's debts and its total assets—at between 15 and 18 per cent—is conservative by the standards of most industries.

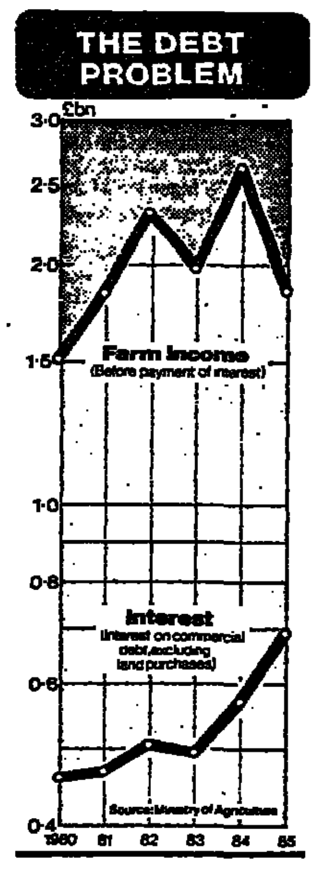
However, as Mr Charles Stewart, a manager with Midland Bank, emphasises, the construction of such artificial balance sheets is an exercise with only limited relevance, for several reasons.

First, the bulk of agricultural debt is concentrated in relatively few hands; no cast-iron figures are available on this point, but one banker estimated that 25 per cent of all farmers account for 60 per cent of all borrowing.

Second, the significance of the fall in land prices to individual farmers will vary enormously, depending on what level they bought at and how much they had to borrow in order to do so. Mr Peter Carroll, who is just retiring as general manager of the Agricultural Mortgage Corporation, the long-term lending institution owned by the clearing banks and the Bank of England, puts it bluntly: "The people at risk are those that bought with borrowed capital over the last six years."

Third, there is the question of tenant farmers, who account for about 30 per cent of the total and who are in a significantly worse position than the rest as far as realisable capital is concerned.

Fourth, and most important, is the fact that UK agriculture—a business with low returns at the best of times—is currently going through an income squeeze the like of which it has not seen since World War Two. What matters most to banks and borrowers is ability to keep up with debt payments—and this is being severely impaired by the current liquidity crisis.



The extent of the problem came sharply into focus after the dreadful harvest of 1985, which coincided with a big jump in UK interest rates. Incomes dropped by more than 40 per cent from the admittedly bumper level of 1984, while the amount spent on interest payments on commercial debt continued to rise.

According to official figures, more than 37 per cent of total farm income went on interest last year, compared with only 8 per cent in 1970 and 22 per cent as recently as 1984. The proportion is certain to have fallen this year, thanks to an upturn in incomes, but it still remains at a most uncomfortable level in many individual farm businesses.

It is generally accepted by the banks that about 10 per cent of all full-time, reasonably large-scale farm businesses — that is, about 10,000-11,000 farms—are at risk because of over-borrowing. "An income squeeze can do only one thing: force them to leave, either before or after they're bankrupt," says Mr Christopher Pettitt, who heads Lloyds Bank's agricultural finance unit.

Some analysts believe that around 20 per cent of farmers and landowners will eventually be forced to sell off some capital assets to reduce their heavy borrowings. Other prophets of doom paint an even darker picture, in which land values collapse as banks foreclose on their farm loans *en masse*, thus drawing ever growing numbers of farmers to the brink of bankruptcy.

Something approaching such an apocalypse has already occurred in isolated pockets—such as south-west Wales, which had enjoyed a dairy boom during the early 1980s but suffered particularly heavily when EEC milk quotas were introduced in 1984.

But bankers dispute the idea that the rest of the country is about to experience a slump of that kind. They are understandably blasé—given the piecemeal changes which have happened so far—about the possibility of radical reform of EEC farm policy. What is more, estate agents are wary of releasing more land for sale than the market will bear; and the banks are probably not falling over themselves at present to foreclose, particularly while the threat of counterclaims (claims, incidentally, which they angrily contest) is in the air.

In any case, with the cautionary tale of American agriculture before their eyes, banks are acutely aware of what can happen when farm confidence collapses; they will not want to let the over-borrowed minority jeopardise the prospects of the financially-sound majority.

FINANCIAL TIMES

Tuesday December 16 1986

Victor Mallet reports from Lusaka on the ANC's military wing

Guerrilla struggle blunted by Pretoria

"OUR FIRST target in Durban was the Durban Pass Office. Billy, Curnick, Bruno and myself went to plant a bomb there which we had made out of aluminium, potassium permanganate and coffee. I don't remember what other mixtures were there.

"We then proceeded to another area where a pylon was to be blown up ... first we went to prepare the material, placed it at the target and retreated. We then heard a big explosion going off. A big cloud of smoke and flames covered that pylon. It was a new experience to us, and we were very proud."

Such were the rudimentary beginnings of Umkhonto we Sizwe (The Spear of the Nation), the military wing of the African National Congress (ANC) which began its operations in South Africa 25 years ago today. The words are those of a founder member, Mr Eric Mtshali, writing in the organisation's journal Dawn.

Known as MK, the ANC's guerrilla army has come a long way since those days of home-made bombs and five minutes of basic training. Established after the non-violent ANC was outlawed by the South African Government, Umkhonto has carried out scores of sabotage and terror attacks with bombs, guns, hand grenades, limpet mines, land mines and rockets. In the past 10 years more than 75 South Africans, black and white, have been killed by the ANC, according to Government figures. ANC leaders have declared 1986 the year of Umkhonto we Sizwe, a year to intensify the struggle.

At least 10,000 South Africans are thought to have undergone guerrilla training in countries as far apart as the Soviet Union and Tanzania, but the organisation is no match for the military might or the intelligence capabilities of the South African authorities, and Umkhonto continues to be regarded as one of the least effective insurgent groups in the world.

Mr Louis Nel, formerly the South African Government's senior official responsible for information, said earlier this year: "The ANC has never succeeded in establishing an effective logistical infrastructure within the Republic of South Africa ... in general, security force action against the ANC within the borders of the country, especially the tracing of weapons caches and the neutralisation of ANC terrorists during the infiltration process, is highly successful.

"The ANC," Mr Nel went on, "is most certainly not the most successful communist-supported terrorist organisation in the world."

South Africa, with a mixture of cajoling, bullying, destabilisation and outright aggression towards its neighbours, has succeeded in creating a reasonably effective cordon sanitaire around its borders, leaving ANC guerrillas with dangerously long lines of communication across largely unsuitable, often open terrain. Infiltration of the ANC by South African agents has further complicated the task of its military commanders, even if there have been isolated cases of ANC counter-infiltration into the South African army and police force.

President P. W. Botha: put on the defensive

The impact of the ANC's guerrilla warfare on daily life in Johannesburg is no greater than the Irish Republican Army's in London, although recent ANC land mine explosions on remote farm roads have raised the stakes in the countryside.

But to dismiss Umkhonto because of its failure to win a classic guerrilla war in the style of Zimbabwe or Mozambique is perhaps to miss the point. South African whites are more afraid of riots than of bombs, and the ANC, founded in 1912, is much more than a military organisation.

ANC leaders are fully aware that they need to harness and direct the revolutionary but often uncontrolled violence which has swept through South Africa's black townships over the past two years, putting President P.W. Botha on the defensive and prompting a flood of international economic sanctions. This goal can be achieved, ANC members believe, partly by "armed propaganda", by capitalising on the enthusiasm of young militants for the "freedom fighters" and their allies in the South African Communist Party.

The ANC, now courted even by South African businessmen and senior members of the Reagan Administration, has been enjoying successes on the diplomatic front while retaining only a tenuous military presence inside South Africa and an uncertain grip on fast-moving domestic political developments.

"We must inspire our people with a hope that victory is inevitable," said Umkhonto's commissar Chris Hani in a Radio Freedom broadcast beamed to South Africa from Ethiopia last month.

"Our people in the townships, our people in the countryside must see ... Umkhonto units delivering blows against the enemy, against the SADF (South African Defence Force) and against the police. Our people must see that we are making the farmers unable to continue with their normal lives. Our people must see us moving into white areas to attack enemy personnel."

December 16 is always a tense day of the year in South Africa, a public holiday commemorated by the country's Afrikaner rulers for the defeat of thousands of Zulu warriors by a band of trekkers at the battle of Blood River in 1838, and the day chosen by the ANC to launch its guerrilla war.

The South African Government has recently announced the arrest of people it said were ANC activists planning a December campaign of terror, but for each South African arrested by the authorities, another slips over the border to Lesotho or Swaziland and on to the training camps further north.

For the ANC, guerrilla warfare is not an end in itself, any more than sanctions are aimed at destroying the South African economy. "The majority of conflicts start from the battleground and they end round the conference table," says Joe Modise, Umkhonto's commander in chief.

UK court rules on currency 'baskets'

By Raymond Hughes and David Lascelles in London

SCANDINAVIAN Bank Group yesterday won UK High Court approval for its pioneering plan to hold its capital in a mixed basket of sterling and foreign currencies, rather than in sterling alone, to overcome problems caused by exchange rate fluctuations.

In a ruling with far-reaching implications for international companies, Mr Justice Harman said that a multi-currency capital structure was permissible for a UK-registered company under English company law.

Within hours of that ruling, however, another High Court judge appeared to put the issue of the legality of non-sterling capital back into the melting pot.

Mr Justice Walton refused to hear applications by Merrill Lynch International Bank and five companies in the so-called "English Group" of Manufacturers Hanover Corporation for approval of plans to change their capital from sterling to dollars until he had studied Mr Justice Harman's judgment and its ramifications.

Had it not been for that judgment, he said, he would have "slung out" the applications before him "without the slightest hesitation" because he had always taken the view that such a change could not be made to a company's capital structure.

Mr Justice Walton's reaction raises a question mark over Scandinavian Bank Group's plans and has implications for Chase Manhattan Ltd, a UK subsidiary of the Chase Manhattan banking group. In January Mr Justice Harman approved CML's proposal to change from a sterling to a dollar capital base.

If, when the cases come back to him in January, Mr Justice Walton rules that Merrill Lynch and Manufacturers Hanover cannot change from a sterling base, there will be conflicting judicial views on the issue that could only be resolved by a higher court.

The likelihood is that either Merrill Lynch or Manufacturers Hanover would go to the Court of Appeal and, if need be, for a final ruling to the Law Lords.

If the higher courts were to adopt what appears to be Mr Justice Walton's view, Scandinavian Bank Group and Chase Manhattan could find themselves obliged to change back into a sterling capital base in order to conform with the law.

However, Mr Garrett Bouton, chief executive of Scandinavian Bank, said he was confident that nothing could now affect his bank's decision to proceed.

Mr Justice Harman reached his decision in the Scandinavian Bank Group case after hearing argument from the bank's counsel and from a barrister nominated by the Attorney General to give the judge an independent view of the law.

The judge said that he had been told that no public authority – notably the Bank of England and the Treasury – considered that a decision that multi-currency capital was lawful would cause problems. The Official Receiver saw no difficulty in administering liquidations as a result of such a ruling, the judge said.

IDA donor countries increase aid contributions to $12.4bn

BY JOHN WYLES IN ROME

THIRTY-ONE donor countries yesterday agreed to provide higher than expected aid of $12.4bn to developing countries to be channelled over the next three years through the International Development Association (IDA).

The arrangement was finally unlocked by an agreement between Japan and the US which will raise Japan's shareholding in the World Bank by 1.5 per cent. The Italian and Dutch holdings will be increased by 0.32 per cent.

Tokyo had made part of its increased contribution to the IDA, which is the World Bank's affiliate providing soft loans to developing countries, conditional on boosting its stake in the parent body.

As a result, the US shareholding in the World Bank will fall from 20 per cent to 18 per cent, but its powers to block fundamental policy changes will not be altered. The Bank's charter will be amended so as to raise the required majority for certain decisions from 80 per cent to 85 per cent.

This latest IDA replenishment, the eighth, comfortably exceeds the $10.5bn to $12bn target for 1987-89 the donor countries set themselves at the beginning of the negotiations in January. They reached $11.5bn at their last meeting in September and then a number responded yesterday to Japanese urgings to make special additional contributions aiming at $2bn in total.

Japan's extra payment was raised yesterday from $350m to $450m and then others followed: Germany with an extra $50m, Italy with $90.5m, the Netherlands with $125.5m, the UK with $15m and New Zealand with $700,000.

With $165m committed bilaterally by Switzerland, which is not an IDA member, the total was raised by $896.7m to $12.39bn. This compares with the seventh IDA replenishment of $9bn.

Mr Moeen Qureshi, the World Bank's senior vice president for finance, described the agreement as a "breakthrough for developing countries", which was especially significant in the light of "the severe budget constraints of the industrial country donors."

He paid special tribute to the "strong leadership" displayed by the US and Japan and to the special efforts made by other countries, in particular Italy whose total contribution will be the sixth largest.

IDA policies in administering the new funds will feature two important changes. The growing problems of sub-Saharan Africa will be recognised by raising the region's share of credits from 35 per cent to between 45 per cent and 50 per cent.

In addition, loans will reflect an increased emphasis on economic performances in borrowing countries. In particular, it has been agreed that between $3bn and $3.5bn of the total replenishment will be devoted to supporting so-called "adjustment policies" which are usually a condition for developing countries gaining access to World Bank and IMF loans.

EEC rejects US grain demand

BY QUENTIN PEEL IN BRUSSELS

EEC foreign ministers yesterday rejected US demands for trade compensation for the loss of grain sales to Spain as unjustifiable and warned of the dire consequences of a trade war if no solution could be found.

They backed the European Commission in seeking one month's extension of the current deadline for agreement, set at December 31, and confirmed their determination to retaliate if the US took unilateral measures against EEC exports on January 1.

Mr Willy De Clercq, the European Commissioner responsible for trade negotiations, reported that a huge gap remained between the two sides on the question of lost US sales of maize and sorghum to Spain since that country joined the EEC last January.

The US is seeking guaranteed sales of some 4m tonnes a year to compensate its grain exporters for losses estimated at up to $500m. The Community so far has offered a maximum figure of only 1.6m tonnes for all non-EEC feedgrain imports by Spain, including supplies from Argentina as well as the US.

The EEC proposal would also gradually lower the amounts of maize and sorghum imports as they were replaced by substitutes such as corn gluten feed, rice and wheat, Mr De Clercq said.

The European hard line follows abortive weekend negotiations between Mr De Clercq and Mr Clayton Yeutter, the US Special Trade Representative, as well as Mr Frans Andriessen, the EEC Farm Commissioner, and Mr Richard Lyng, the US Secretary for Agriculture.

Mr De Clercq said the US demands were "unreasonable" and "indefensible," expecting Spain to import more grain than it could actually consume. The Community estimates total Spanish feedgrain import needs next year will be only 3.2m tonnes, against the US calculation of 4.4m tonnes.

Mr De Clercq said that in spite of the wide gap it was essential to keep negotiating, through the December 31 deadline if necessary. But he said the EEC was not proposing to extend its temporary arrangement for reduced-levy maize imports from the US, agreed last July and expiring at the end of February.

The US announced last summer that it would impose retaliatory tariffs on European exports of wines, brandy, cheese, beer and chocolates – items which would particularly hit France, the country it regards as the most hardline in the EEC.

The Community foreign ministers responded by promising retaliation on corn gluten feed, rice and wheat – hitting key US farm sectors. They confirmed that decision yesterday.

Mr De Clercq said at a press conference that the outbreak of such a trade war between the two blocs would have political and psychological consequences and sour the launch of the new Gatt round of negotiations for trade liberalisation.

Nancy Dunne adds from Washington: The US Feed Grains Council's trade policy co-ordinating committee has asked the Reagan Administration to retaliate immediately if no agreement is reached by December 31 on their "loss" of their Spanish feed grains market.

The group, which is advising the administration on the negotiations says that any extension of the interim agreement or the negotiating period beyond December 31 is "totally unacceptable to the feed grains sector."

Vietnam sets tone for major shake-up

By Steven Butler in Bangkok

VIETNAMESE leaders unleashed a barrage of self-criticism at the opening of the ruling Communist Party's Sixth Congress yesterday, foreshadowing top level leadership changes and further economic liberalisation.

Party leaders spoke frankly of a devastated economy plagued by unemployment, waste, chronic shortages and inflation.

The congress comes after months of contentious internal debate over economic policy. It follows a similar shift towards a more market-oriented economic policy by the Soviet Union, Vietnam's principal provider of military and economic assistance.

Vietnamese officials and foreign diplomats attending the Congress said a number of the country's top leaders who have guided the communists through more than half a century of war and revolution may resign during the meeting, the most important event in the ruling party's political calendar.

The Congress is the first to be held since 1982 and the death in July of Le Duan, the party chairman and Ho Chi Minh's successor.

It will be closely watched by Vietnam's non-communist neighbours who will be looking for any softening of Hanoi's position over the political and military deadlock in Kampuchea, where 140,000 Vietnamese troops remain stationed.

El-Sayed to leave Fermenta

Continued from Page 1

senior executive in the Beijer Investment group, who both resigned in October, urged the Fermenta board to initiate a police investigation of what they called "suspicious business transactions in which Refaat El-Sayed and Fermenta are involved.

The Fermenta board was meeting last night to consider its response.

The turmoil that has surrounded Mr El-Sayed's personal business affairs for much of the last 12 months has now widened to encompass the Fermenta board which has included some of the leading names in Swedish industry and commerce

World Weather

		°C	°F
Ajaccio	S	18	61
Algiers	C	13	55
Amsterdam	C	2	36
Athens	S	18	64
Bahrain	S	22	72
Bangkok	S	32	90
Barcelona	S	11	52
Beirut	C	19	66
Belfast	S	5	41
Belgrade	F	10	50
Berlin	C	2	36
Biarritz	—	—	—
Bombay	S	25	77
Bordeaux	C	8	46
Brussels	C	4	39
Budapest	H	-3	27
B. Aires	S	31	88
Cairo	S	21	70
Cape Town	S	23	73
Caracas	C	25	77
Casablanca	S	18	64
Chicago	C	7	45
Cologne	C	3	37
Copenhagen	C	5	41
Corfu	—	—	—
Dallas	—	—	—
Dublin	C	7	45

		°C	°F
Dubrovnik	R	12	54
Edinburgh	C	5	41
Faro	C	16	61
Florence	C	10	50
Frankfurt	C	3	37
Funchal	F	20	68
Geneva	C	5	41
Gibraltar	F	17	63
Glasgow	R	5	41
Guernsey	R	11	52
Helsinki	Sn	-14	7
H. Kong	S	21	70
Innsbruck	F	0	32
Inverness	F	3	37
Islamabad	F	13	60
Istanbul	S	13	55
Jakarta	R	31	88
Jersey	R	10	50
Jo'burg	S	25	77
Lima	C	23	73
Lisbon	C	17	63
London	R	8	46
Los Angeles	R	19	67
Luxembourg	C	0	32
Madrid	S	6	43
Majorca	S	15	59
Malaga	S	18	64

		°C	°F
Malta	C	17	63
Manchester	C	9	48
Manila	S	30	86
Melbourne	S	18	88
Mexico City	S	25	77
Miami	C	25	78
Milan	F	2	36
Montreal	C	-3	27
Moscow	Sn	-21	-6
Munich	F	3	37
Nairobi	F	23	73
Naples	R	13	55
Nassau	C	25	78
New Delhi	F	19	66
New York	F	1	35
Nice	S	14	57
Nicosia	C	17	63
Oporto	C	15	59
Oslo	Sn	-3	27
Paris	C	3	37
Peking	F	4	39
Prague	C	1	34
Reykjavik	C	0	32

		°C	°F
Rhodes	S	16	61
Rio de J'o	C	37	99
Rome	R	15	59
Salzburg	F	1	34
San Francisco	C	9	48
Seoul	F	8	46
Singapore	S	31	88
Stockholm	C	-5	23
Strasbourg	S	5	41
Sydney	S	22	72
Taipei	S	22	72
Tangier	—	—	—
Tel Aviv	C	18	64
Tenerife	S	22	72
Tokyo	R	10	50
Toronto	C	1	34
Tunis	F	15	59
Valencia	S	16	61
Venice	C	7	45
Vienna	Sn	-2	28
Warsaw	C	2	36
Washington	F	-2	28
Zurich	S	3	37

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Pakistan riot toll

Continued from Page 1

But, in spite of orders to shoot on sight, the military failed. Their vehicles proved too large and cumbersome to get into the myriad back alleys where the rioters continued their battle with fire and bullets.

A further 73 people died – shot, stabbed or burned to death – and hundreds have been injured. As up to 400 homes and shops blazed in different sectors of the city, looting started.

The bodies taken yesterday to Karachi's main hospitals included nine from one Pathan family roasted alive in their firewood shop. Orangi suburb residents said they had seen Pashtuns toss teenagers on to burning buildings and stab young boys. Violence raged out of control.

By yesterday afternoon, 11 banks were ablaze in Karachi and the rioting spread to Hyderabad, 100 miles to the north-east, where one person was reported dead and five banks were ablaze.

Mr Mohammad Khan Junejo, The Prime Minister, flew to Karachi from Islamabad yesterday to supervise the anti-riot operations but made no comment on the situation.

An indefinite curfew was announced for Karachi and Hyderabad and Mohammad Aslam Khattak, the Interior Minister, appealed for an end to the "killing of Moslems by fellow Moslems."

The Mohajirs and Pathans have a long history of brutal rivalry

THE LEX COLUMN

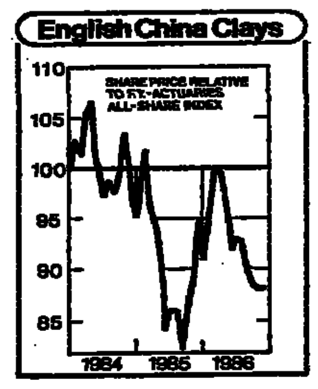
The not-so lonely star

Interstate banking has come to the oil bankers of Texas, like the US cavalry's arrival at some beleaguered fort. The surprising thing about yesterday's relief of the Texas Commerce stockade is not that it happened – the stock of Texas Commerce Bancshares has been rising for three months on the expectation – but that the new owner is to be Chemical Bank.

Chemical's decision to strike out into the energy belt does serve to lift it to a more comfortable place in the big league of US banks at about the $75bn level of assets, including $19bn from Texas Commerce. And it is buying the bank for an effective $33 a share, only about twice the price that the shares were trading at in the summer, before the state banking laws were rewritten.

So keen is Texas Commerce to be taken out that its shareholders are to hold on to a nominal $300m of the loans that Chemical least likes the look of. With over $400m of non-performing Houston real estate lending on the books and $270m of energy credits to choose from, it is not hard to guess what the Texas shareholder will end up with. It is to be hoped that the workout does not prove too strenuous.

It may be that Chemical takes a rosy view of the prospects for West Texas Intermediate, and thinks that it will not have to wait too long to see a recovery in loan quality, and activity, at Texas Commerce. In any event, it is big enough – and sound enough on a pro forma problem loan ratio of under 4 per cent – to sit things out.



China Clays

An ambitious profit forecast is a useful thing for the aggressor to bring to a contested bid, particularly if the forecast is then met during the currency of the bid.

That is, however, about all that can be said in favour of the figures produced by English China Clays yesterday. It has hit its target by the most hallowed methods, which reduce the importance of the unpalatable by stowing it away below the line.

In this case China Clays has decided to lump together rationalisation costs of businesses that are continuing – like the International Division – with costs incurred in businesses that have been sold; a case of the directors deciding that a true and fair view of their profits would not be given by complying with the Standard on Group Accounts. Knock off the provision of £12m against the holding in Horizon Exploration, and attributable profits fell by more than £5m. Enough said.

Fleming Mercantile

Investment trust managers need above all to please their shareholders by narrowing the discount to net assets; yet their own life-plans are not best served by getting taken over or unitised.

It is probably no coincidence that Fleming Mercantile's warrant issue, launched yesterday, follows a recent build up of two significant shareholdings, now totalling almost 25 per cent of the trust. Even before the announcement the discount had shrunk to a well below average 13.3 per cent.

That said, it is an ingenious idea and one which other large trusts might do well to follow. By raising over £14m through the sale of warrants, based on the FTSE 100 index and exercisable over the next five years, Fleming Mercantile is adding 5 per cent to asset value, and so enhancing performance straight away.

And as index trusts ought to trade at a minimal discount (which was why the Philip Hill trust first planned to turn into an index fund) the 20 per cent of the trust now matching the index ought to keep the trust's discount below the sector average, though perhaps not so far below as it already is – which may explain why the shares gained only 2p to 174p yesterday.

Once issued, there is no end to the tricks Fleming Mercantile can play with the warrants. Similarly buyers of the warrants, longer-lived than traded options or futures, can use them for all sorts of hedging techniques.

Simply buying the warrants, instead of shares, and putting the spare cash in the money market would improve the return of an equity portfolio. The problem is that an issue backed by a £65m portfolio is just not large enough for the big institutional players.

Meanwhile the Stock Exchange might ponder on the fact that a warrant based on its index had to be listed in Luxembourg.

Carlton

To produce results slightly ahead of market expectations may not sound like much reason for celebration. But when that means that pre-tax profits have risen by 57 per cent, it is a different matter.

For those two facts taken together imply a premium rating, and such stocks have a very long way to fall if they do not deliver. Hence the relief in the share price of Carlton Communications, with a jump of 45p to a new high of £10.35p. This is actually quite a day for the share price, since it has been a very dull performer for the last 18 months.

A large ADR issue is imminent. Carlton's most recent US acquisition is presumably responsible for the earnings dilution implicit in an earnings-a-share rise 11 percentage points behind the increase in pre-tax profits: presumably because Carlton's statement, which has been audited, is uninformative to a degree. There is no figure for interest receivable nor a breakdown by business, even to distinguish between the sale of digital video imaging systems to Japan and the provision of shopfitting for Marks & Spencer.

None of this is a criticism of the business itself, which is, among quoted UK stocks, uniquely positioned to take advantage of the deregulation of broadcasting throughout Europe. The group seems confident it can exploit the open skies policy without letting margins erode below 25 per cent.

Shareholders may be grateful that Carlton has failed to gain the first DBS franchise, which would have been a real risk. If Carlton manages to make £27m this year, then the shares are on a multiple of about 17. The premium rating rests comfortably on the prospects.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday December 16 1986

UK exports credit agency in $2bn debt swap move

BY PETER MONTAGNON, WORLD TRADE EDITOR, IN LONDON

BRITAIN'S EXPORT Credits Guarantee Department (ECGD) has completed a $2bn debt swap programme in the international capital markets that should substantially reduce the cost of providing subsidised finance in support of UK exports.

The programme was arranged by Kleinwort Benson. It provides the UK Government with a hedge against fluctuations in short-term dollar interest rates that have pushed up the cost of subsidising export credit in the past.

Under current arrangements the Government, acting through ECGD, is responsible for making up the difference between the internationally agreed fixed rate of interest paid by recipients of export finance and the, normally higher, floating rate charged by lending banks.

The swap programme will fix this difference for the life of the loans affected, which averages around five years. It will virtually eliminate subsidy payments on this part of the ECGD's medium-term export credit portfolio, according to Mr Fred Chapman, principal financial officer.

Lord Chandos, a director of Kleinwort Benson, said the ECGD programme was small in terms of the total interest rate swap market which now turns over some $160bn a year, but it was "one of the largest single programmes and certainly the most complex."

Altogether 47 separate swap transactions were involved. Latest ECGD figures show that the total cost of subsidising export credits amounted to £401m ($561m) in the financial year to end-March. Assuming Eurodollar rates average 10 per cent over the next five years this bill should be reduced by $250m in total, Lord Chandos said.

In the short run, however, it will not provide any savings for the government as short term rates are currently below those on fixed rate export finance.

Mr Chapman said it was none the less prudent for the longer term to hedge part of ECGD's portfolio in this way, as the cost of the subsidy programme was historically very high.

ECGD's fixed rate export credit portfolio amounts to £11.9bn of which $5.4bn is in US currency.

The sterling share amounts to half the total and attracts the highest subsidy cost, but it would be difficult to design a debt swap programme for sterling credits because the market is still very thin, Lord Chandos said.

Danish bank to open in Madrid

BY OUR FINANCIAL STAFF

COPENHAGEN Handelsbank will become the first Danish bank to set up in Madrid when it opens an office in the Spanish capital at the beginning of 1987.

Mr Soeren Moeller Nielsen, managing director responsible for CHB's international activities, said: "Copenhagen Handelsbank already has a considerable volume of business with Spain, and this representative office will enable us to maintain and extend our relations."

The bank said the new office would also be important to maintaining its links with Portugal through a special agreement with the Portuguese Investment Institute.

The head of the Madrid office will be Mr Bent Ditlev Jensen of the bank's department for international banking relations.

Alan Friedman reports on the row over the use of non-voting stock to raise capital

Milan finds savings shares hard to swallow

THE WORLD of Italian finance was recently treated to an unusual *mea culpa* from its most esteemed fund raiser, Mr Carlo De Benedetti.

Explaining the reasons why two recent issues of non-voting "savings shares" for his quoted CIR holding company and Latina Insurance subsidiary had been unsuccessful with 71.1 and 91.7 per cent of the rights left with underwriters, Mr De Benedetti first attributed the failure to "a lack of forecasting of the stock market's path."

Then, in an interview with L'Espresso, the weekly magazine, he said that "both I and other groups have issued too many of these shares."

Mr De Benedetti's self-criticism was no great surprise. The Olivetti chief was merely saying what most bankers, stockbrokers and fund managers have been stressing for several weeks: the Italian stock market is sick and tired of having overpriced non-voting savings shares dumped on the bourse and the digestion problem is becoming serious.

Now that the Milan bourse is undergoing a new shake-out with the share index having dropped by 10 per cent over the past two weeks, the controversy over savings shares has reignited. At its centre is the fact that many Italian companies have this year issued expensive savings shares, which provide no voting rights and are therefore of no interest to investors who may be speculating on company takeovers.

The savings shares pay a higher dividend than ordinary voting shares, but with average yields in Italy between one and 2 per cent, there is not much in a dividend.

The Italian market remains obsessed with capital gains, not yields. And the capital gains of 50 per cent and more achieved on many ordinary shares this past year are absent when it comes to savings shares.

Since January a record L11,480bn ($8.3bn) of capital has been raised on the bourse through new issues and rights issues. The issue of savings shares, which are not convertible into ordinary shares, has accounted for 31.7 per cent of the total.

In the case of the market's single biggest fund raiser, the De Benedetti group, around 40 per cent of the L3,602bn ($2.6bn) raised, has been through savings shares.

Many of the savings shares are performing badly. A differential of around 50 per cent is generally seen between the prices of ordinary and savings shares. In the case of Fiat, for example, the ordinary shares were this week trading at around L13,200, while non-convertible savings shares stood at L7,160, a discount of 54 per cent. Olivetti ordinary shares at L12,500 compared with non-convertible savings shares at L7,200.

These companies have been absurd. They have raised far too much and at high premium prices. This is a market for capital gain and investors watching takeovers have absolutely no interest in savings shares. Who wants them? – Guido Rossi

Montedison's ordinary shares are trading at L2,870 while the savings shares stand at L1,340.

Mr Guido Rossi, former chairman of Italy's Consob stock market authority, is critical of the companies which have saturated the market with savings shares: "These companies have been absurd. They have raised far too much and at high premium prices. This is a market for capital gain and investors watching takeovers have absolutely no interest in savings shares. Who wants them?"

Takeovers or not, the savings shares are clearly unloved. For example, the price of ordinary shares in Mr De Benedetti's Cofide master holding group, has risen by 52.5 per cent since January, while Cofide savings shares achieved a 6.1 per cent increase.

The savings shares of many companies have simply gone down: the price of Nuovo Banco Ambrosiano's savings shares is 34.3 per cent down on January, Pirelli's is 7.8 per cent lower, and the Standa Retail concern's savings shares price is 38.3 per cent below its January level.

This year, the general assumption about 1986 being an opportune time to raise funds in order to cancel old debts and store capital for new investment was correct but the fund raisers have over-estimated the market's capacity to absorb the issues.

Defending the group's strategy, an aide to Mr De Benedetti says that notwithstanding recent flops the group has this year seen an average of only 10 per cent of total new shares left with underwriters. But the aide concedes that since August the number of problem issues has increased.

Despite his claim that 1987 will be a "year of consolidation", rather than more expansion, Mr De Benedetti's various companies are thought likely to tap the Milan bourse for as much as L1,000bn to L1,500bn next year. To achieve that goal "sweeteners" will have to be added to the issue of savings shares.

Mr Rossi suggests making some of the savings shares convertible into ordinary voting stock. Mr De Benedetti prefers another way of winning back the hearts (and purses) of his stockmarket followers: bonus share issues which "reward" long suffering holders of savings shares.

Cofide, for example, this week announced plans for a two tranche rights and scrip issue to raise L27bn, a relatively small amount which is not actually needed. In this issue holders of savings shares will be able to subscribe one ordinary share for every 10 savings held. The shareholders are also being offered 12 new Cofide shares "free" for every 100 already held.

What is really at stake in the savings share controversy is the larger issue of how Italian investors think and reason about share buying. Despite low yields it could be argued that an investor interested in dividend income would do far better to buy two savings shares for the price of one ordinary share and thus double the return.

As long as capital gains fever governs the collective mind of Italian investment, however, this logic will not work. Analysts in Milan believe that as the bourse becomes more selective (one hesitates to use the word "rational"), it is possible that a more Anglo-Saxon approach to share buying as a medium term investment might take hold.

Cynics who have watched the Milan bourse for many years, however, doubt that Italian investors are about to give up their love affair with capital gains and, accordingly, their distaste for savings shares.

Valmet, Nokia to link arms units

BY OLLI VIRTANEN IN HELSINKI

NOKIA and Valmet, two of Finland's leading metal and engineering groups, plan to merge their respective arms and ammunition divisions. The new company will be a 50-50 owned venture by the publicly quoted Nokia and state-held Valmet. The combined turnover will be about FM 300m ($40m), which divides almost equally between the two companies.

Valmet's main products are light infantry rifles and ammunition which it supplies to the Finnish army as well as hunting and sporting rifles. Nokia's range competes almost head-on with Valmet's sporting and hunting rifles.

The main reason given for the merger is to create a bigger and stronger unit in the rifle business, particularly in their biggest export markets, the Nordic countries and the US.

The joint venture will consist of three manufacturing units in Finland, with a total workforce of 1,000. If approved by their respective boards the new company will begin operations on January 1.

The move is the latest step in a consistent restructuring programme both at Valmet and Nokia. During the past 12 months Valmet has created a joint lift manufacturing venture with Otis of the US and merged its shipbuilding and forest industry machinery divisions with those of Wartsila.

Pakistani Lever lifts profits 68.5%

BY MOHAMMED AFTAB IN ISLAMABAD

LEVER BROTHERS, the Pakistani offshoot of the Anglo-Dutch Unilever group, has announced a 68.5 per cent boost in pre-tax profits for the six months to June to PRs 29.27m ($1.69m).

Growth was achieved in the sale of synthetic detergents and toiletries, while marketing competition for soap was described as tough.

The profitability of its cooking oil production also improved. Sales were up 14.5 per cent to PRs 680.23m.

The company's long-term loans amounted to PRs 14.29m, up from PRs 10.10m in June 1985. Its current liabilities were given as PRs 180.305m, down from PRs 28.701m. Current assets were PRs 293.463m, down from PRs 327.374m.

● Bata of Pakistan, the shoemaker, has announced a 13 per cent drop in pre-tax profits for its half-year to June.

The company blamed the decline on low productivity, increased operational costs and higher prices for imported raw material because of a strong dollar.

Sales were 384.45m, down from PRs 396.46m in the first six months of 1985.

Fixed assets at June 30 were PRs 143.17m. Long-term debts declined from PRs 20.64m to PRs 9.40m.

The short-term borrowings were down to PRs 43.99m, from PRs 64.14m.

Bernard Simon on the lifting of ownership curbs in the Ontario securities industry

Bay Street steels itself for deregulation

THE RUMOUR mill on Bay Street, the heart of Toronto's financial district, is turning at full speed as financial institutions in Canada, the US and abroad ponder their response to the forthcoming abolition of ownership curbs in the Ontario-based securities industry.

Every financial analyst, banker, stockbroker and journalist has a pet scenario of who will end up in bed together. Theories have proliferated on whether the big Canadian banks will buy existing dealers or set up their own securities subsidiaries; whether life insurance and trust companies will want a slice of the action; what the likely extent will be of involvement by US, European and Japanese institutions; and finally, which (if any) dealers will merge with one another.

The one thing everyone agrees on is that only a handful of the leading Canadian firms are likely to survive in their present form with no changes in ownership. Merrill Lynch Canada, 100 per cent owned by its US parent, is considered to be one of the few which fall into this category.

Complete free-for-all

The Ontario Government, which regulates the provincial securities industry and sets the pace for the rest of the country, put the cat among the pigeons in early December. It announced plans to drop all ownership curbs on Canadian investors in the securities business from next June 30 and to allow a complete free-for-all by mid-1988. Outsiders are presently limited to a 10 per cent shareholding. (Merrill Lynch is one of three US-owned firms for whom a special exception was made when the present ceilings were imposed in 1971.)

The new rules go much further than proposals made only six months ago, which were designed to maintain Canadian control of the industry and to limit the influence of other financial institutions.

Mcleod Young Weir, one of a handful of securities firms which has consistently pushed for sweeping ownership reforms, has become the first to reveal its future plans.

Shearson Lehman Brothers of New York will lift an existing 10 per cent shareholding in MYW to 30 per cent. An associate company Cemp Investments, which is controlled by the Bronfman family of Seagram liquor fame, will take an additional 20 per cent stake. The two outside shareholders will contribute C$148m in new equity, raising MYW's capital to C$210m and making it one of the two biggest Canadian dealers.

The process through which MYW has gone to determine its future is probably similar to what is happening in a dozen or more other Bay Street firms.

As one of the more aggressive and internationally-minded Canadian dealers, MYW has recognised that it needs a substantial infusion of capital to compete and survive in the global marketplace. The entire capital of the Canadian securities industry, totalling roughly C$2bn, amounts to less than that of one of the big US or Japanese firms.

MYW wants to expand its primary and secondary Euromarkets business. It opened an office in Tokyo last year, is currently setting up a corporate finance division in New York, and is beefing-up its mergers and acquisitions unit in Toronto. It has taken a first step into global research by appointing a gold analyst in London.

According to Mr Christopher Church, who MYW hired from Salomon Brothers two years ago to spearhead the revival of its London-based international subsidiary, "the major houses are trying to be all things to all people. We have to compete, though we're not foolish enough to believe that we can become an all-encompassing investment banking organisation yet."

MYW has lead-managed eight and co-led another half-dozen EuroCanadian bond issues this year, compared with none in 1984. But it still accounts for only about 2 per cent of new issues in this sector.

At the same time, MYW wants to enlarge its Canadian retail base, which provides a stable and lucrative flow of earnings. Its retail sales force has grown from 90 to 550 in the last few years. The firm presently has 44 retail offices dotted from St John's, Newfoundland, to Medicine Hat, Alberta.

TOP FIVE CANADIAN SECURITIES HOUSES

	Capital base C$
Dominion Securities	275m
McLeod Young	210m
Wood Gundy	150m
Nesbitt Thomson	125m
Burns Fry	100m

MYW canvassed a wide spectrum of potential partners as signals grew stronger that liberalised ownership rules were on the way. Candian and European banks, as well as US and Japanese securities firms were among those which expressed interest.

—choing other Canadian dealers, Mr Tom Kierans, MYW's forthright president, says that one of the firm's highest priorities is to maintain its independence. "We don't want to be the Candian desk of anybody," he says. "While Toronto will never be one of the time-zone markets, there's no reason why it shouldn't be the first and foremost among others."

Mr Kierans thinks that Canadian firms will be able to attract the best talent only by retaining their own international networks. A link with a European bank was ruled out because, according to Mr Kierans, "they wanted to access our business, but not let us access their." With the exception of Shearson, US firms pressed for an immediate 100 per cent shareholding, or a guarantee that it would be forthcoming.

MYW was also nervour about hitching its star to one of the big Canadian banks because of the danger of a clash of cultures between bankers and the more free-wheeling dealers with offices just a couple of hundred yards from one another.

MYW hopes that the links with Shearson and Cemp will bring benefits to all three. One example was a public share offering earlier this year by the Quebec gold producer Cambior, which MYW led in Canada, while Shearson was co-ordinating lead manager in Europe. Cemp is likely to take an active interest in MYW's mergers and acquisitions business.

Mr David Hirschberg, Shearson's general counsel, says the Price attraction of MYW is their "superlative people. They're smart, they've got good judgment and they work hard." He expects the two firms to cooperate in a wide range of activities, including trading and administrative operations. Details are still being worked out.

Now that MYW has picked its partners, the rumour mongers' gossip centres on the six big domestic banks and three of the best-known Toronto-based securities dealers—Dominion Securities, Wood Gundy and Burns Fry.

The federally-regulated banks acquire a change in Canada's Bank Act before they can take advantage of the proposed Ontario reforms. It seems unlikely, however, that the Federal Finance Ministry will put the banks at a disadvantage by failing to follow the province's lead.

The banks face a difficult choice. Acquiring an existing dealer will be expensive and risky. Shearson and Cemp paid out 2.5 times book value for their MYW shares. Canadian securities dealers' margins are expected to narrow as competition intensifies and salaries shoot up.

Protecting the business

Mr William Mulholland, chairman of the Bank of Montreal, which would prefer to set-up a joint venture with an existing dealer, says that "What worries me is protecting the business we already have as much as getting new business."

Furthermore, Royal Bank of Canada's well-publicised problems over the past few years with its wholly-owned London merchant banking subsidiary Orion Royal Bank have highlighted the difficulty of meshing commercial and investment banking cultures.

Some of the banks have indicated that they will try to minimise conflicts and unpleasant surprises by building up their securities arms from scratch. In doing so, however, they run the risk of being left in the dust by competitors who have joined forces with an existing dealer, and by the powerful foreign dealers who are expected to move into Toronto.

Bank of Nova Scotia (BNS), the fourth largest bank, made a pioneering move last month by using the lax regulatory climate in Quebec and a loophole in the Federal law to set up Scotia Securities, a wholly-owned Quebec-registered securities dealer.

The rumour mills suggest that BNS may try to get the best of two worlds. Besides forming Scotia Securities, the bank is said to have its eye on one of the existing dealers too.

Elders Resources in offer for TMOC

By Our Financial Staff

ELDERS RESOURCES, the energy affiliate of Mr John Elliott's Elders IXL, yesterday launched a full market bid for TMOC Resources, the Queensland oil and gas producer known formerly as Moonie Oil.

Among its interests, TMOC holds around a 20 per cent stake in Clyde Petroleum, the independent North Sea operator.

TMOC, in which the bidder already holds 19.9 per cent, is valued under the offer at some A$157.9m (US$104m). Its directors urged a rejection of the bid which they said "grossly undervalues TMOC."

The offer price of A$2.55 per share compares with Friday's closing level of A$2.18. The TMOC board said, however, that recent brokers' assesments had put its value higher and that Elders itself had paid A$3.25 a share for its original stake more than a year ago.

During 1986 TMOC shares have managed a peak of only A$3.10 and bottomed out at A$1.55 as world crude prices declined.

TMOC owns and operates the Moonie and nearby fields in the Surat Basin in southern Queensland, which produced 272,800 barrels in the year to June, plus a refinery and a pipeline to the state capital Brisbane.

Equity holdings also include 46.5 per cent of Paringa Mining and Exploration, a London listed Australian minerals explorer. The Clyde stake was acquired in February as the result of a Forties Field deal between the UK company and Texaco of the US.

TMOC made net profits of A$7.92m in its year to June, up from A$5.41m.

Wah Kwong rescue in jeopardy again

BY DAVID DODWELL IN HONG KONG

THE YEAR-LONG attempt to rescue Wah Kwong, one of Hong Kong's largest shipowning groups, is yet again in jeopardy as efforts to win agreement from two major Japanese creditors have floundered over the issue of export insurance cover.

Success just over a month ago in winning support for the US$850m reconstruction from 44 of the group's 46 main creditors will be reduced to nought if agreement cannot be won from Kawasaki Heavy Industries and Toyo Menka, who have both supplied ships as well as credit to Wah Kwong. The deadline for completion of the reconstruction is December 31.

The two Japanese shipbuilders have refused to back the rescue plan because they fear that by doing so they will lose their rights to export insurance cover provided by Japan's Ministry of International Trade and Industry (Miti).

Kawasaki and Toyo Menka have been reluctant to lobby Miti officials on Wah Kwong's behalf, since a collapse of the shipowning group would allow them to reclaim from Miti at least 80 per cent of their losses.

Executives from Wah Kwong, with financial adviser Amex Asia, held talks with the Miti last week aimed at persuading the Japanese Government to provide assurances to the two shipbuilders that will enable them to sign the rescue plan.

In Hong Kong yesterday, a Wah Kwong official admitted "disappointment" that the Miti had refused to act, instead referring the group back to Kawasaki and Toyo Menka.

Britain's Export Credit Guarantee Department, and its counterpart the FDIC in the US, have both made concessions to their own creditors which have allowed compromise.

Wah Kwong had hoped that these precedents, coupled with powerful financial reasons for providing a concession, would prompt the Miti to shift ground.

It argued that if the group went into liquidation, which it would be likely to do if agreement is not won by December 31, the Miti faces immediate insurance claims amounting to $40m.

In contrast, Wah Kwong argues that a compromise will allow the Miti to claw back at least half of these liabilities, with any eventual settlements being spread over the next 15 years.

No further direct talks have been arranged with the Miti, but discussions continue this week with executives at Kawasaki and Toyo Menka.

Nat Australia in NZ bid

NATIONAL AUSTRALIA Bank has agreed to acquire a 74 per cent stake in Broadbank, a New Zealand retail bank, in a deal worth about A$29m (US$19.1m), AP-DJ reports from Melbourne.

The Government Life Insurance Corporation of New Zealand is to exchange the holding for an issue of 5.2m National Austradia shares, or some 1.5 per cent of the purchaser's equity. Government Life will continue to hold the remaining 26 per cent and, Broadbank will continue to market Government Life products.

Government Life acquired Broadbank from Fletcher Challenge almost a year ago and split it into a merchant banking arm, renamed First Governor's Corporation, and the retail banking operation which National Australia Bank is buying. Fletcher Challenge sold Broadbank after it uncovered NZ$22m (US$11.26m) in foreign exchange losses.

Amatil raises earnings and dividend

By Our Financial Staff

AMATIL, the Australian food, beverage and tobacco affiliate of Britain's BAT Industries, yesterday reported a 17.3 per cent rise in net profits for the year to October to A$75.38m US$49.66m) and is lifting its dividend.

The payout, in which BAT is entitled to a 41.2 per cent share, is 29 cents per share for the year, against 25 cents, reflecting a final distribution of 15 cents compared with 13 cents.

Earnings were further enhanced by A$2.45m in extraordinary credits, as opposed to special debits last year of A$19.56m. The attributable result at A$77.83m is thus up 74 per cent. Sales showed a 15.7 per cent advance to A$1.92bn.

The beverage division achieved substantial gains in both volume and profit but the snack foods side faced intense competition and overall profit there was lower, Amatil said.

The poultry division again recorded increased profit on the continued buoyant demand for chicken meat while the communications and packaging group continued to record good growth in both sales and profit.

Bond flotation oversubscribed

THE FLOTATION in Hong Kong of Bond Corporation International has closed some 67 times oversubscribed, Agencies report.

Bond Corporation Holdings, which retains 66 per cent of the company, said in Perth, a total of HK$9.26bn (US$1.19bn) was subscribed for the 116m shares offered at HK1.18 each. The company, which Bond termed its flagship, holds a residential property portfolio in Hong Kong with a total rentable floor area of 1.03m sq ft.

The group recently paid HK$1.42bn for the properties, previously owned by Hongkong Land.

This announcement appears as a matter of record only.

Eni International Bank Limited

(Incorporated with limited liability under the laws of the Commonwealth of The Bahamas)

U.S. $200,000,000
Guaranteed Floating Rate Notes Due 1991

Unconditionally and Irrevocably Guaranteed as to Payment of Principal and Interest by

Ente Nazionale Idrocarburi

(A Public Corporation of the Republic of Italy)

Chase Investment Bank | Bankers Trust International Limited

Banco di Napoli	Banco di Roma
Bank of Montreal Capital Markets Limited	Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets Limited	CIBC Limited
Crédit Lyonnais	Credito Italiano
Daiwa Europe Limited	DKB International Limited
First Chicago Limited	Goldman Sachs International Corp.
Merrill Lynch Capital Markets	Mitsubishi Finance International Limited
Nippon Credit International Limited	Prudential-Bache Securities International
Swiss Bank Corporation International Limited	Yamaichi International (Europe) Limited

October, 1986

Chase Investment Bank

This announcement appears as a matter of record only.

Régie des Télégraphes et des Téléphones

U.S. $100,000,000
7¼ Per Cent. Guaranteed Notes Due 1990

Unconditionally Guaranteed as to the Payment of Principal and Interest by

The Kingdom of Belgium

Chase Investment Bank

BankAmerica Capital Markets Group	Banque Bruxelles Lambert S.A. / Bank Brussel Lambert N.V.
County Natwest Capital Markets Limited	Dresdner Bank Aktiengesellschaft
First Chicago Limited	IBJ International Group
Kidder, Peabody International Limited	Kredietbank International Group
LTCB International Limited	Mitsui Finance International Limited
Samuel Montagu & Co. Limited	Morgan Stanley International
Nomura International Limited	Orion Royal Bank Limited
Salomon Brothers International Limited	Sumitomo Trust International Limited
Union Bank of Switzerland (Securities) Limited	

December, 1986

Chase Investment Bank

This announcement appears as a matter of record only.

Exterior International Limited

(Incorporated with limited liability in the Cayman Islands)

U.S. $200,000,000
Guaranteed Floating Rate Notes Due 2001

Unconditionally Guaranteed as to Payment of Principal and Interest by

Banco Exterior de España, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

Chase Investment Bank

BankAmerica Capital Markets Group	Bank of Montreal Capital Markets Limited
Bank of Yokohama (Europe) S.A.	Banque Bruxelles Lambert S.A.
Banque Nationale de Paris	Banque Paribas Capital Markets Limited
Chemical Bank International Limited	Crédit Lyonnais
First Chicago Limited	Fuji International Finance Limited
Kidder, Peabody International Limited	Manufacturers Hanover Limited
Mitsubishi Finance International Limited	The Nikko Securities Co., (Europe) Ltd.
Nippon Credit International Limited	Nomura International Limited
Shearson Lehman Brothers International	Tokai International Limited
Union Bank of Switzerland (Securities) Limited	Yamaichi International (Europe) Limited
Yasuda Trust Europe Limited	

November, 1986

Chase Investment Bank

This announcement appears as a matter of record only.

European Coal and Steel Community

U.S. $108,000,000
8¼ Per Cent. Notes Due 1996

Chase Investment Bank | Dresdner Bank Aktiengesellschaft

Bank of Tokyo International Limited	Banque Générale du Luxembourg S.A.
Barclays De Zoete Wedd Limited	Bayerische Vereinsbank Aktiengesellschaft
Crédit Lyonnais	Daiwa Europe Limited
Generale Bank	IBJ International Limited
Morgan Stanley International	The Nikko Securities Co., (Europe) Ltd.
Nippon Credit International Limited	Nomura International Limited
Shearson Lehman Brothers International	Sumitomo Trust International Limited
Taiyo Kobe International Limited	Toyo Trust International Limited
Westdeutsche Landesbank Girozentrale	

December, 1986

Chase Investment Bank

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Share offer by Banca Manusardi

By Alan Friedman in Milan

BANCA MANUSARDI, a small state-owned merchant bank which handles a substantial amount of foreign investment in the Milan stock market, is to sell 38 per cent of its shares to the public to raise a total of L237.6bn ($171m).

Sige, the Milan investment banking arm of the Rome-based IMI state credit institute, is to lead-manage the Manusardi issue, along with a consortium of 32 other Italian banks.

Manusardi, which is chaired by Dr Giovanni Magnifico (a former Bank of Italy counsellor) is at present 95.5 per cent controlled by IMI. The partial privatisation of Manusardi will see 30m of the 132m shares on offer being sold in London by IMI Capital Market UK, the London investment banking subsidiary of the IMI group. This is equivalent to 22.7 per cent of the total issue.

Manusardi, known in Italy as a "boutique bank" because of its market niche in fund management and bourse activities, yesterday said it expects 1986 net profits to more than double. Last year's net profit was L22.7bn. Manusardi employs almost 300 people.

Shorts wins £225m air defence system contract

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SHORT BROTHERS, the Belfast aerospace manufacturer, has been awarded a £225m contract by the UK Ministry of Defence for the Starstreak high-speed air defence missile system.

The contract will ensure continuing employment at the Shorts' Missile Systems Division for about 1,500 workers well into the 1990s, together with work for an additional 3,500 to 4,000 workers at sub-contractors throughout the UK.

A further 5,000 jobs will also either be maintained or created in ancillary support activities for the contract.

The sub-contractors include Alvis of Coventry, a member of the United Scientific Group, which in turn has been awarded a £40m ($58m) contract by the Ministry of Defence to supply Stormer armoured tracked vehicles to the British Army, on which the Starstreak will also be mounted.

The deal is the biggest single contract yet won by Short Brothers. It eclipses the value of the order for the Tucano basic jet for the RAF trainer awarded to the company in 1985, worth over £150m, and also the initial order for the 18 Sherpa freighters bought by the US Air Force in 1984, worth over £115m (although options on further aircraft could raise that figure).

The Starstreak, developed initially by Shorts as a private venture, has been evolved from the company's original Blowpipe shoulder-launched air defence system for soldiers followed by the more advanced Javelin missile.

The company said yesterday that the Starstreak was "a quantum leap forward" in the design of close-range air-defence weapons for troops on the battlefield.

Sir Philip Foreman, chairman, said the company was already offering the Starstreak system to the US Army and it believed that the export potential was "enormous," and could rise to at least $1.5bn, "further consolidating the jobs of the thousands who are directly and indirectly employed on the project."

Skanska pays $101m for holding

BY SARA WEBB, STOCKHOLM CORRESPONDENT

SKANSKA, the Swedish construction, property and investment company, has agreed to acquire a stake in JM Construction and Real Estate, with an option to increase its holding in March. The deal is worth about SKr 700m ($101m).

Handus, a subsidiary of the investment company Industrivaerden, has agreed to exchange 330,000 A shares in JM for 808,500 new A shares in Skansa, worth SKr 170m ($24.5m).

Skanska has an option to acquire 1.05m B shares—which have one-tenth of the voting rights—in JM from Handus for SKr 536m next march.

Altogether, Skanska would then have 32.4 per cent of the share capital and 49.7 per cent of the votes in JM.

If the option is taken up in March, Skanska may then bid for the remaining shares. Dagens Nyheter, one of the main Swedish daily newspapers, is the other main shareholder in JM, controlling 28 per cent of the votes.

Last year, JM had sales of SKr 2.3bn and pre-tax profits of SKr 89m. Its real estate business is concentrated in and around Stockholm, Malmo, and Gothenburg.

Both Skanska and JM have more than 50 per cent of their real estate business in the Stockholm area, where prices have increased by at least 20 per cent in the last year, encouraged by falling interest rates. Rents from Skanska and JM real estate properties are expected to total Skr 1.3bn for 1986, according to analysts.

"With the construction market set to slow down, the way for Skanska to expand is through real estate, and JM is a cheap way in to that field," said Mr Mikael Sjowall, an analyst in Scandinavian companies for Kleinwort Grieveson.

Aegon goes for mortgage bank majority

BY OUR FINANCIAL STAFF

AEGON, the big Dutch insurance group, may take over the loss-making Dutch mortgage bank, Friesch-Groningsche Hypotheekbank.

Aegon and Postbank, the state-owned bank, both acquired at 25 per cent stake in FGH in a restructuring last year triggered by the mortgage bank's exposure to property loans. Each also provided a Fl 50m ($21.8m) subordinated loan to FGH last month when the bank announced unexpected losses of more than Fl 110m for 1986.

Aegon, which expects to put in a firm bid early in the New Year, plans to expand its range of mortgage services with FGH's business sector activities, a company official said. He declined to comment on FGH's future prospects.

There had been no change in FGH's financial situation since last month's news of unexpected losses over 1986, Aegon said. FGH had earlier this year said that profits this year would be similar to last year's net profit of Fl 10.6m.

FGH's first half 1986 net profit was Fl 4.5m, just below Fl 4.7m in first half 1985.

Aegon reported net profits of Fl 242m for the first nine months of 1986.

India in moves to stabilise markets

By John Elliott in New Delhi

THE INDIAN Government is preparing legislation to set up a form of securities and exchange commission to regulate the country's stockmarkets. It has also issued permanent instructions for public sector financial institutions to step into the markets and stabilise "sharp and uncalled-for fluctuations" in share prices.

This was announced in New Delhi last night by Mr Vishwanath Pratap Singh, the Finance Minister, a week after major Indian stock exchanges closed for up to three days to halt a crash in share prices.

Mr Singh also announced at a meeting with stock exchange authorities and bankers that the value of stockmarket capital issues approved by the Ministry in the first eight months of the current financial year to the end November totalled Rs 41.25bn ($3.17bn). This exceeded the Rs 36.95bn total for all 1985-86 and indicated that the government's 1986-87 target of Rs 50bn would be achieved.

This rapid growth has led the Government to speed up its plans to regulate the markets and exchanges, which have outgrown existing organisational and monitoring facilities.

Mr Singh said that the proposed securities exchange commission would attempt to curb insider trading which at present is unregulated. "Something needs to be done," he declared. The commission would also have a development role.

The Industrial Development Bank of India (IDBI), a leading public sector institution, is setting up a stock holding corporation for share dealings in public sector institutions and this might be extended later to the private sector.

It has been widely believed that these institutions attempt to stabilise the markets with their dealings, and an announcement a week ago by Mr Rajiv Gandhi, the Prime Minister, that this was happening helped to halt the recent crisis.

Yesterday Mr Singh spelt out the Government's policy when he said: "We will be using the public sector financial institutions to keep the stockmarkets in a state of equalibrium." The institutions will "step into the market with a view to stabilise it." The judgment about when and how to intervene will be "made collectively by the institutions themselves against these broad guidelines."

Dillon, Read makes US appointment

By Our Euromarkets Staff

DILLON READ & Co has appointed Christopher Kemball as a managing director of i ts US investment banking firm and an executive managing director of its UK affiliate, Dillon Read Limited.

Mr Kemball will have joint responsibility for running Dillon Read's London operations with Mr Lorenzo Wiseman, president of Dillon Read Limited.

Mr Kemball, 39, had worked for Kleinwort Benson for 11½ years. In his last post he was vice chairman of Kleinwort's US holding company and responsible for Kleinwort's operations in New York.

Investcorp oversubscribed

A SHARE offering for Arabian Investment Banking Corpjoration, the Bahrain-based investment bank known as Investcorp, has closed substantially oversubscribed.

The offering, to existing shareholders through a rights issue and to institutional investors in Bahrain, Saudi Arabia, Kuwait, United Arab Emirates, Qatar and Oman, has increased Investcorp's shareholders funds from $59m at the end of 1985 to $120m.

IBM South Africa

AN ARTICLE in the Financial Times on November 27 stated that IBM South Africa had been sold by the parent company to local management. It has in fact been sold to a trust which is being established for the benefit of all employees, which is being managed by present management.

Mondadori

AN ARTICLE in the Financial Times on September 25 referred to Mr Carlo De Benedetti as owner of Mondadori. We wish to make clear that the controlling shareholding in Mondadori is held by the Mondadori and Formenton families. Mr De Benedetti has a 16 per cent indirect shareholding without management control.

Export Finance of Norway makes sole dollar issue

BY CLARE PEARSON

THE EUROBOND market was getting into gear for a quiet run-up to Christmas yesterday. Only one new dollar issue, a $100m deal for Export Finance of Norway led by LTCB International, emerged during the day.

The early weakness in the US Treasury market and the prospect of US economic figures which are due to be announced this week, and also seasonal factors, deterred other houses from launching new bonds. The new issues market is likely to remain quiet till the New Year, apart from action generated by those houses seeking a last minute boost to their league table positions.

The 7½ per cent five-year deal for Export Finance of Norway, priced at 101½, was launched at a yield margin over US Treasury bonds of 56 basis points, narrowing during the day as the US Treasury market weakened.

Dealers said the terms were aggressive, even for a triple A rated borrower, in yesterday's weak market. The issue was quoted at a locked bid and offer price of 99⅝.

Morgan Stanley increased from $75m to $100m its five-year fixed rate deal for Brierley Investments which incorporates sequential options to convert into a floating rate note. The deal did not trade widely but

INTERNATIONAL BONDS

Morgan Stanley said it had been taken up by some institutional investors.

In the equity warrants market, Daiwa Europe reduced the coupons on two recent five-year deals for Japanese borrowers by ¼ per cent to 3⅜ per cent. The deals were for Kajima Corporation and Meiji Milk Products, which traded yesterday at 106½ and 107½ bid

In the Australian dollar market, a three-year deal for GMAC Australia which was increased after its launch last Friday from A$35m to A$40m, traded at a discount to issue price of 1½ per cent on the bid side, the level of its total fees. Hambros Bank led the deal.

In the D-Mark market, prices dropped by about ½ point in thin trading, influenced by the weak tone in the New York market.

In the Swiss market trading was more buoyant and prices firmed slightly. A SFr 175m 5 per cent for the Inter-American Development Bank closed its second day's trading ½ point higher at 98¾.

Union Bank of Switzerland and J. Henry Schroder Wagg both priced five-year equity warrants bonds for Japanese borrowers. The coupons on both Schroder's SFf 50m deal for Nippon Gas, and UBS' SFr 120m deal for Daiwa Kosho Lease, were set at 2½ per cent.

Mitsui Finance (Switzerland) announced at SFr 30m note issue for Mitsui Real Estate Sales. The five-year issue has a 4½ per cent coupon and par issue price.

Cannon agrees debt extension

BY ANATOLE KALETSKY IN NEW YORK

CANNON GROUP, the controversial US-based film company which earlier this year became the biggest film exhibitor in Britain through its acquisition of the ABC cinema chain, averted possible insolvency yesterday when it agreed a debt extension from Bond Corporation, the Australian media enterprise controlled by Mr Alan Bond.

Cannon's debt problems stemmed from its purchase of the ABC chain from Mr Bond for £175m ($122.9m) in May this year, just one week after Mr Bond had acquired the cinemas from Thorn EMI. As a result of this transaction, Cannon retained outstanding debts to Mr Bond totalling more than £70m.

This was made up of £53.3m, originally due for payment yesterday, plus a balance, denominated in dollars, of $30.6m, which had to be paid in the first half of 1987.

Since this purchase of Thorn EMI's cinema interests, however, Cannon's financial position and stock market standing have declined precipitously, due partly to an investigation by the Securities and Exchange Commission into the company's accounting practices. As a result there has been widespread concern in recent weeks that Cannon would fail to meet the payment to Bond Corporation due yesterday.

Yesterday's agreement gives Cannon a further five days to pay the £53.3m, which is now due on December 19, and extend for four years the additional $30.6m, which was originally due to be paid next year to the Bond Group.

In exchange for the delay, Bond has been granted 500,000 warrants to purchase Cannon stock, exerciseable for five years at the price of $16 per share. If fully exercised, the warrant would give Bond a stake of just over 5 per cent in Cannon.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 15

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅝ 93	200	97½	98	[illegible]	[illegible]	8.06
Australia Com. 11 95	200	†115⅛	115⅝	0	−1	8.37
Australia Com. 11⅛ 00	100	†114⅛	115⅛	0	−1	9.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AB Electrolux 14½ 90 AS	50	100	101	0	[illegible]	13.97
Amatil Fin. 14¼ 90 AS	40	†98	99	[illegible]	−1¼	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; [illegible]

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All of these securities having been sold, this announcement appears as a matter of record only.

December, 1986

22,500,000 Shares

ARISTECH CHEMICAL CORPORATION

Aristech Chemical Corporation

Common Stock

Shearson Lehman Brothers Inc. Goldman, Sachs & Co.

This portion of the offering was offered in the United States by the undersigned.

18,000,000 Shares

Shearson Lehman Brothers Inc. Goldman, Sachs & Co.

Bear, Stearns & Co. Inc. The First Boston Corporation Dillon, Read & Co. Inc. Drexel Burnham Lambert Incorporated

Hambrecht & Quist Incorporated Kidder, Peabody & Co. Incorporated Merrill Lynch Capital Markets Montgomery Securities Morgan Stanley & Co. Incorporated

PaineWebber Incorporated Prudential-Bache Securities Robertson, Colman & Stephens L. F. Rothschild, Unterberg, Towbin, Inc.

Salomon Brothers Inc Smith Barney, Harris Upham & Co. Incorporated Wertheim & Co., Inc. Dean Witter Reynolds Inc.

Allen & Company Incorporated William Blair & Company A. G. Edwards & Sons, Inc.

Oppenheimer & Co., Inc. Rothschild Inc. Thomson McKinnon Securities Inc.

Advest, Inc. Arnhold and S. Bleichroeder, Inc. Robert W. Baird & Co. Incorporated Bateman Eichler, Hill Richards Incorporated

Sanford C. Bernstein & Co., Inc. Blunt Ellis & Loewi Incorporated J. C. Bradford & Co. Incorporated Cowen & Co. Dain Bosworth Incorporated

Doft & Co., Inc. Eberstadt Fleming Inc. Foster & Marshall Inc. Furman Selz Mager Dietz & Birney Incorporated

Janney Montgomery Scott Inc. Ladenburg, Thalmann & Co. Inc. Cyrus J. Lawrence Incorporated Legg Mason Wood Walker Incorporated

McDonald & Company Securities, Inc. Morgan Keegan & Company, Inc. Moseley Securities Corporation Neuberger & Berman

The Ohio Company Prescott, Ball & Turben, Inc. The Robinson-Humphrey Company, Inc. Stephens Inc.

Stifel, Nicolaus & Company Incorporated Sutro & Co. Incorporated Tucker, Anthony & R. L. Day, Inc. Wheat, First Securities, Inc.

George K. Baum & Company Boettcher & Company, Inc. Branch, Cabell and Company

Brean Murray, Foster Securities Inc. The Buckingham Research Group Incorporated Burns, Pauli & Co., Inc.

Butcher & Singer Inc. Carolina Securities Corporation The Chicago Corporation B. C. Christopher Securities Co.

Craigie Incorporated Crowell, Weedon & Co. R. G. Dickinson & Co. Eppler, Guerin & Turner, Inc.

First Albany Corporation Gruntal & Co., Incorporated Hamershlag, Kempner & Co. Howard, Weil, Labouisse, Friedrichs Incorporated

Interstate Securities Corporation Johnson, Lane, Space, Smith & Co., Inc. Johnston, Lemon & Co. Incorporated

The Milwaukee Company Morgan, Olmstead, Kennedy & Gardner Incorporated Needham & Company, Inc. Parker/Hunter Incorporated

Rauscher Pierce Refsnes, Inc. Raymond, James & Associates, Inc. Rotan Mosle Inc. R. Rowland & Co. Incorporated

Scott & Stringfellow, Inc. Seidler Amdec Securities Inc. Smith, Moore & Co. R. C. Stamm and Company

Swergold, Chefitz & Sinsabaugh, Inc. Underwood, Neuhaus & Co. Incorporated Wedbush, Noble, Cooke, Inc.

This portion of the offering was offered outside the United States by the undersigned.

4,500,000 Shares

Shearson Lehman Brothers International Goldman Sachs International Corp.

Banque Indosuez Commerzbank Aktiengesellschaft Crédit Industriel et Commercial de Paris Credit Suisse First Boston Limited

Daiwa Europe Limited EBC Amro Bank Limited Ersel S.P.A. IMI Capital Markets (UK) Ltd.

McLeod Young Weir International Limited Morgan Grenfell & Co. Limited Nomura International Limited S. G. Warburg Securities

Société Générale Svenska Handelsbanken Group Swiss Bank Corporation International Limited

Swiss Volksbank Union Bank of Switzerland (Securities) Limited Vereins- und Westbank Aktiengesellschaft

UK COMPANY NEWS

ECC beats forecast with 21% rise

BY NIKKI TAIT

English China Clays, the Cornish-based clay, quarrying and construction group which is currently making a £140m hostile bid for housebuilder Bryant Holdings, yesterday lived up to its forecast last month, producing pre-tax profits for the year to end-September 21 per cent higher at £90.4m on sales of £688.6m.

But—as also predicted—the company is writing off £16.6m as an extraordinary item. That covers the winter costs of its leisure division before its sale last February, provisions in respect of the 50 per cent stake in Horizon Exploration, and meets certain rationalisation expenses.

At the operating level, three of the group's four on-going divisions advanced. The international side—formerly called clay—turned in pre-interest profits of £61.4m against £52.6m last year. According to chairman Sir Alan Dalton, the company is benefiting from continued demand for clay pigments and a steady shift towards coated paper. The ceramics side proved less exciting, but made steady progress.

The quarries division, generally, felt the impact of poor weather at the start of the year, but managed to turn in an operating pofit of £24.4m (£21.6m). On the construction side, 1,112 homes were sold,—10 per cent up on the previous year—predominantly in the South and around two-thirds to the second-time buyer market. Profits here rose from £5.75m to £7.5m. In 1986/87, ECC is looking for 1,200 completions.

Less happy was the International Drilling Fluids business where depressed conditions in the North Sea and Middle East caused profits to fall by almost £2.8m to £3.5m. The business has seen some signs of recovery in the US recently, said Sir Alan, and there is no intention to dispose of it.

Comparison of the overall profit figure is distorted by the sale of four businesses, plus the disposal of the entire leisure division to Rank during the year. Together, these subsidiaries contributed profits of £4.9m in 1984-85, compared with £181,000 in 1985-86. Total cash consideration for their sale was £41m.

Sir Alan Dalton said yesterday that the group's 50 per cent stake in Horizon, the oil services business, "was at an advanced stage of negotiation for sale," and in the extraordinary item ECC has made a £12m provision in respect of the holding.

The total group expenses and net interest item fell from £15.2m to £6.4m, helped by the impact of cash received from disposals on the balance sheet. The tax charge was £32.3m (£27.9m).

The final dividend goes up from 7p to 8.25p—making 12.5p (11p) for the year.

See Lex

Carlton benefits from prolific advertising

Carlton Communications, television and photographic production facilities, has continued to benefit from the proliferation of television advertising in the UK, and group pre-tax profits climbed by 57 per cent from £12.01m to £18.81m in the year to September 30 1986. Turnover was higher by 53 per cent at £58.27m compared with £38.14m. Both figures were records.

Mr Michael Green, the chairman, said yesterday that all parts of the company performed well. Carlton had maitained its position as the largest operator of television facilities in Europe, and was now a leading satellite transmission company.

The company had gained a strong foothold in the US facilities market with the acquisition of Complete Post, one of the leading post production facilities in the television programme market. Clients included Columbia, MGM, Paramount, Warner Brothers and the four major US television networks.

He said Europe had become an important market for its television products, and sales to France this year exceeded those in the UK. Other major orders had been received from India and West Germany. A subsidiary, Abekas Video Systems, had received an Emmy for its outstanding achievement in engineering development. This company recently opened an office in Sydney.

Mr Green added: "In view of the importance of the United States to the company, Carlton intends to make an offering of its ordinary shares, in ADR form, which it is intended will be admitted for quotation through the NASDAQ exchange."

The final dividend is being raised from 4.05p to 5.4p for a total of 8p net (6p), and stated earnings per 5p share were 46 per cent higher at 44.7p (30.6p), and 70.9p (30.6p) after an extraordinary credit of £7.5m, part profits of the publishing business.

See Lex

Weir sells Weritram for £10m cash

Weir Group, the Glasgow engineering company, is disposing of its wholly-owned subsidiary, Weritram, to Alsthom, the French engineering group, for around £10m in cash.

Weritram's principal asset is a 35 per cent stake in Delas-Weir, a designer and installer of heat exchange equipment for the French power generation industry. Weir now considers it "unsatisfactory" that a large contribution to its profits should come from a source which it does not control. In the year to December 27 1985 its share of Delas-Weir's after tax profits was £1.3m.

The proceeds of the disposal will be used to acquire other engineering businesses.

MAI offer for LCAH not to be referred

BY CLAY HARRIS

THE TAKEOVER bid involving Britain's two largest outdoor poster contractors will be allowed to proceed.

The Department of Trade and Industry said yesterday that the £35.8m offer by MAI, parent of poster contractor Mills & Allen, for London and Continental Advertising Holdings would not be referred to the Monopolies and Mergers Commission.

The clearance was conditional on MAI completing planned disposals of poster sites to two other contractors, Arthur Maiden and Primesight.

The two companies together have more than 40 per cent of the roadside poster market.

The DTI also cleared a rival plan by Piccadilly House, UK investment arm of Australia's private Griffin Group, to take up to 29.9 per cent of LCAH, which operates in the poster market as London & Provincial.

LCAH said last night that it was studying the situation with its financial advisers, Kleinwort Benson. Before the change of directors, the LCAH board had said that it preferred the MAI offer but was worried about a possible Monopolies reference.

MAI owned 24.6 per cent of LCAH before the rights issue and has raised its holding to about 26 per cent of enlarged share capital, Mr Clive Hollick, managing director, said yesterday.

LCAH shares rose 10p to 118p to equal MAI's cash offer. With MAI at 428p, unchanged, its 27-for-100 alternative values LCAH shares at 115.5p.

Counter bid for Property & Reversionary

Property & Reversionary Investments (P & R), which earlier this month announced plans to merge with Lynton Holdings, revealed yesterday it had received a bid approach from Speyhawk, another property group.

Mr Kenneth Rubens, chairman of P & R, said the Speyhawk proposal, for a share offer backed by a 300p per share cash alternative, was unacceptable. He acknowledged however that the Speyhawk approach made a few weeks ago, had persuaded his company and Lynton to speed up merger talks which had been going on since the summer. Speyhawk expressed disappointment that its approach had been rejected.

Steetley talks with Nottingham terminated

TALKS AIMED at an agreed merger between Steetley and Nottingham Brick, two of Britain's biggest manufacturers of quality facing bricks, have been terminated, both companies revealed yesterday.

Shares of Nottingham Brick dropped 34p to 273p following the news, after racing ahead to a record 340p in early dealings, while those of Steetley closed 9p higher at 460p.

The Steetley board said the talks were terminated "in the light of the further sharp upward movement in the price of Nottingham Brick ordinary shares and of the unwillingness of the board of Nottingham Brick to discuss merger proposals constructively and at a price for shares of Nottingham Brick which Steetley regards as reasonable."

The Nottingham board said it was "unanimously of the view that there are no significant advantages to Nottingham arising from a merger of the two companies" and that the interests of Nottingham were best served by it remaining independent.

Nottingham had shown substantial growth in profitability over the past four years and believed prospects were excellent, the board said.

Prior to news of the bid discussions, announced on December 3, Nottingham Brick shares were quoted at 222p. By Friday last week the share price had risen to 308p, having been as low as 160p earlier in the year.

Last Thursday Nottingham Brick unveiled pre-tax profits for the year to September 30 of £2.71m, up 11.7 per cent on the previous year's £2.43m, on turnover 8.8 per cent higher at £11.7m. The final dividend was increased to 6p a share from 4.5p ,making a year's total of 8p, against 6.5p.

Brierley lifts Equity Law stake

IEP Securities, which is part of the Brierley group of companies, has increased its stake in Equity and Law Life Assurance to 17.16 per cent—at a total cost of around £50m this is the New Zealand company's third largest UK investment. Two weeks ago IEP announced that it had an 11 per cent stake

MOUNTLEIGH GROUP (property investment and development): Interim dividend 6p (3p) for six months to October 31 1986. Rental Income £4.08m (£2.25m); pre-tax profit £13.04m (£2.32m) and tax charged £4.6m (£480,000). Earnings per share basic 66.58p (24.48p). Proposed 5-for-one scrip issue.

SE bars Westland from amending its Articles

BY DAVID GOODHART

THE Stock Exchange Council has barred Westland from making an amendment to its Articles of Association which would make it easier to disenfranchise "mystery" shareholders operating through nominee funds.

Westland, the helicopter manufacturer, made the proposal as a result of the difficulties it had in discovering who owned its shares during the political storm over its reconstruction one year ago.

A Stock Exchange inquiry into share dealings in Westland cleared the company of any breach of the Takeover Code or Exchange rules last April. However, Westland said yesterday that it would have faced less pressure during the crisis if it had been able to quickly establish the beneficial owners behind five nominee funds.

Although Westland was able to use Section 212 of the Companies Act to attempt to establish true ownership, this process usually takes several weeks.

Refusal to respond to a 212 inquiry can, in certain circumstances, lead to disenfranchisement, but Westland was unable to stop shareholders from voting if they bought their shares just a few days before its vital shareholders' meeting last February.

Westland was surprised by the Stock Exchange decision because it believed that the Exchange's investigation had suggested a similar remedy. Mr John Teague, a company spokesman, said yesterday: "It was a measure we wished to introduce to counter the criticism levelled at us during the reconstruction. We thought we were doing it at the suggestion of the Stock Exchange."

However, the Stock Exchange believes that the powers to disenfranchise being claimed by Westland are far too sweeping. "They wanted to shoot first and ask questions later," said one spokesman.

The Stock Exchange appears to believe that any change should come through an amendment to the Companies Act to allow for speedier discovery of beneficial ownership or easier disenfranchisement if it is refused.

Westland has agreed to drop its plan which was due to go before shareholders on January 7.

● A meeting of shareholders in Stothert & Pitt the Bath-based engineering group yesterday agreed to the takeover by Mr Robert Maxwell's Hollis Group. Hollis had agreed with the Stothert management a survival plan which gives Hollis 77 per cent of the enlarged equity in return for £4m. Midland Bank has also subscribed for £1m of new preference shares.

USH climbs back into profit

United Scientific Holdings, the defence contractor which fell into the red by nearly £1m at the halfway mark after management and financial problems with a US subsidiary, has reported second half pre-tax profits of £4.2m and a year-end figure of £3.2m.

This is a 68 per cent fall from last year's profit of £10.1m. But Sir Frank Cooper, chairman, forecast a "significantly better" performance in 1987 and announced an increased final dividend of 3.8p (3.5p).

The company also announced that its subsidiary, Alvis, had been awarded a £40m defence contract to supply Stormer armoured tracked vehicles to the British Army for the Starstreak guided weapon programme. Other contracts won in the last two months exceed £50m.

In the US, the second half performance of Optic Electronic had improved considerably to show a trading profit.

Turnover was slightly higher at £117.89m (£116.02m), tax took £2.37m compared with £3.38m, and minority interests £455,000 (£472,000). There was extraordinary income of £767,000 (charge £2.78m), leaving lower attributable profit of £1.16m (£3.57m). Earnings per share fell from 11.7p to 0.7p.

● comment

Has United Scientific at last turned the corner? It better had, or buyers who took the share price up 10p to 158p on the basis of yesterday's ebullient statement will want to know the reason why: heaven knows, the historic price/earnings ratio of 225.7 leaves little enough room for slippage. There are, however, grounds for cautious optimism. Merely the extinction of losses in the US will add £4m to pre-tax profits this year, even if the rest of the group were to stand still, so some modest across-the-board progress and a cut in the interest charge could well produce a repeat of the £10m seen in 1985 for a p/e of around 13. If that kind of multiple looks demanding in the light of USH's recent performance, it could be under-rating the prospects for the following year, when USH's target figure of £15m would drop the p/e to under 9. That, however, is taking a lot on trust, and there is a strong body of opinion which says that the new-look USH has yet to earn it.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Carlton Comm.	5.4	Mar 3	4.05	8	6
Craton Lodge‡	1.6	—	1.35	2.2	1.85
English China Clays	8.25	—	7	12.5	11
Halma ...int	0.79	Feb 9	0.65	—	1.7
Holmes & Marchant	1.9	—*	1.1	3.15	1.1*
JFB	0.25	—	nil	nil	nil
Arthur Lee	1.8	Feb 20	1.5	2.6	2.1
Mountleigh ...int	6	—	3	—	10
Richards	1.3	—	1.1	1.9	1.6
United Scientific	3.8	Apr 6	3.5	6	5.7
Yorkshire TV	4	—	—	4	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Reuters' tender oversubscribed

Reuters' tender for up to 5.1m shares of Instinet Corporation, the US securties dealing system group, has been oversubscribed with shareholders tendering a total of 7.96m shares.

Reuters is offering $8.50 (£5.93) cash for each share, which amount to 45 per cent of Instenet's equity. In the merger planned after completion of the tender the remaining shareholders will be offered $8.50 worth of Reuters shares (in ADR form).

UK COMPANY NEWS

Clive Wolman on Fleming Mercantile's latest response to shareholders complaints

Unusual scheme for longer-term hedging

INVESTORS who are fearful of missing out on a renewed bull market in UK equities over the next five years are being offered their first chance to buy a long-dated option on the FT-SE 100 share index.

Fleming Mercantile Investment Trust, one of the 15 largest investment trusts with about £300m of net assets, yesterday responded to the continuing threat of predatory action by announcing an unusual scheme involving the issue of £15m of warrants.

The 1,625 warrants are being issued at a minimum tender price of £8,737.62 and will raise at least £14.2m. The warrants may be exercised at any time during the next year, giving the warrantholder the cash value of a portfolio of shares representing precisely the FT-SE 100 index. The exercise price is £40,000, representing a total of £65m. The latest closing time for the tender offer is tomorrow (Wednesday) 4.00 pm.

The value of the assets changes in line with the index. If the index rose by 100 per cent in the next five years, when all the warrants were exercised, the cash payments would equal twice the original £65m. If the index was below 1,600 at the end of the five-year period, the warrants would become worthless.

The issue price has been fixed by using a modified form of the Black and Scholes option pricing model and a market-based discount rate. The pricing formula also assumes that the historic volatility of the FT-SE 100 index will remain unchanged throughout the next five years and that the warrantholder is a basic rate taxpayer. On that basis, the price should be about 26 per cent of the exercise price, although the newness of the concept may depress the price slightly.

Robert Fleming merchant bank, S. G. Warburg and Credit Siusse First Boston are buying and distributing the issue and paying 22 per cent of the exercise price. If, however, the price at which the warrants are resold to investors is above 25 per cent, the trust is entitled to claw back some of the profits. The warrants will be traded on the Luxembourg stock exchange.

Taking into account the interest and dividends foregone, the index would have to rise by an average of about 7.5 per cent per year compound during the next five years to break even. The trust will aim to match its potential liabilities to warrantholders by dedicating £65m (at current values) of the portfolio to the constituents of the FT SE-100 to ensure that the returns from this part of the trust broadly matches the index.

'The issue may prove attractive to portfolio managers who have complained of the limitations of the present options and futures contracts on the UK equity market'

Fleming Mercantile has a history of shareholder dissidence. At the 1979 annual meeting, the managers, Robert Fleming, warded off an attempt, in effect, to liquidate the company. Throughout the next two years, the trust gradually shifted its international portfolio towards small and unquoted companies, however, the performance continued to be disappointing. Net asset value rose by 145 per cent in the five years to December 1, compared with an average of non-specialist trusts of 175 per cent.

Recently, the discount of its shares to net asset value has narrowed to 14 per cent, compared with a sector average of more than 20 per cent, reflecting the rising expectations of a liquidation. The trust has two large and potentially hostile, shareholders, British Empire Securities and General Trust with 10.3 per cent and the Kuwaiti Investment Office with 14.3 per cent.

The latest proposals mean that if the UK stock market falls or barely rises over the next five years, the trust should outperform the average, because of the injection of additional cash from the warrantholders. However, if the index rises strongly, the dilution effect from the exercise of the warrants would probably lead to an underperformance. In that situation however, the board has hinted that it may take further action.

For example, Stock Exchange rules permitting, it may buy back the existing warrants at a premium and issue new ones at a higher level of the index. At the same time it would progressively shift the entire portfolio of the trust into the constituents of the FT-SE-100. This would permit a simple conversion to cash and liquidation of the company after five years.

While the innovative proposals are likely to be welcomed by shareholders, it remains doubtful whether, by themselves, they can placate the dissidents in the longer term.

However, the issue may prove attractive to portfolio managers who have long complained of the limitations of the present options and futures contracts on the UK equity market. Their main complaint is that the expiry dates are less than 12 months, making them difficult to use as part of a longer-term hedging or other strategic management policy. The Fleming Mercantile warrants will for the first time permit them to take a five-year stance.

See Lex

A. Lee held by US restrictions

DESPITE a fall from £76.61m to £73.38m in turnover, pre-tax profits of Arthur Lee & Sons, manufacturer of steel and related products and plastics, were up by £391,000 from £2.9m to £3.29m following a sharp reduction in interest charges, down from £809,000 to £363,000, in the year to September 30 1986.

The reduction in turnover was partly as a result of the sale of J. A. Hemming in the preceding year, but to a greater extent due to the imposition of quotas in the US market.

The directors stated that the improvement in profit was achieved in spite of the quota restrictions and movements in the dollar/sterling exchange rate which, in comparative terms, affected the results adversely by an amount in excess of £500,000.

In the steel division, Lee Bright Bars made further progress towards recovery and achieved an enhanced profit: Lee Steel Strip failed to match last year's performance, but in recent months had shown a considerable improvement. Lee Steel Wire again had a successful year.

The group's rope making operations at John Shaw performed well and produced a very good result.

Operating profits were £3.64m (£3.7m) of which steel and related products accounted for £3.5m (£3.42m) and plastics £136,000 (£278,000). Tax charged was £581,000 (£587,000) and earnings per share were 8.69p (7.4p). The proposed final dividend is 1.8p (1.5p) making a total of 2.6p (2.1p).

● **comment**

Steel suffered a full year of US restrictions, which reduced export volume there by over 60 per cent and also dented domestic prices on the bright bar side. To compensate, Lee has pushed up European sales and here exchange rates—unlike on the dollar front—are currently a-plus. Even so, exports accounted for only 30 per cent of the steel division's sales, compared with close to 40 per cent last year. Better news is the hardening of prices on the stainless steel front and current attempts to claw back the squeeze—around 6 per cent—on the bright bar side. Plastics looked disappointing, after major telecommunications and medical customers cut back, but a new divisional MD has been appointed. Gearing is now under 10 per cent and more acquisitions on the plastics side look likely. If the company makes £4m next year, the shares—unchanged at 66p—are on a p/e of 7 (assuming 30 per cent tax), which looks decidedly over-cautious.

JFB moves into black with £4.5m for year

Johnson & Firth Brown, the Sheffield-based metals and engineering group which wrote down its involvement in the loss-making Sheffield Forgemasters last year, reported year-end pre-tax profits of £4.47m, against last time's losses of £3.96m.

Mr John Clay, chairman, pointed out that pre-tax profits rose by 24 per cent from £3.68m if the 1985 losses from Forgemasters were excluded.

In the year to end-September 1985, JFB's involvement with Forgemasters left it with an attributable loss of £25.75m, having wiped out its pre-tax profits from the group's ordinary activities.

Gills Pressure Castings, where serious financial irregularities resulted in a total of £1.7m losses over several years, has been sold for a nominal sum, said Mr Clay.

A writ has been issued against Gills' former auditors, Howard Tilly and Co, seeking damages in connection with the auditing of the company's accounts in earlier years.

Turnover fell by 19 per cent to £92.44m, and interest charges fell by £1.7m, mainly as a result of the sale of Cannon-Muskegon. This reduced borrowings to £16.1m—from £30.56m.

Attributable profit stands at £4.9m. "The group has now successfully completed the consolidation stage of its development plan," said Mr Clay. "Much of the significant rationalisation is behind us."

Earnings per share rose to 2.9p from last time's loss of 5p. In July the group paid half the arrears on preference share dividends at 16.575p. Final payment to bring these up to date will be made on January 9 at 27.625p.

At February's AGM directors will propose a nominal dividend payment on ordinary shares of 0.25p.

● **comment**

JFB's shares softened 2½p yesterday to 34p on news of reduced demand in some of the group's businesses. That jolt apart—and the company was stressing that order books had softened only slightly—these figures give grounds for cautious optimism. JFB is unlikely ever to be a spectacular performer but it has learned to live with modest sales growth and margins will continue to improve. For this year about £6m is in view. As tax could be as low as 10 per cent because of the recovery of written down ACT, the prospective p/e is about 7. High gearing, still above 60 per cent, and the uncertainty over sales will put some investors off but the uncertainty over sales will put some investors off but the shares do not seem overpriced.

Hoskyns valuation is £46.8m

BY RICHARD TOMKINS

Hoskyns, a British computer services company at present wholly-owned by Martin Marietta, the US aerospace and information technology group, is being floated on the London stock market at a capitalisation of £46.8m.

It will be one of the biggest companies yet to take advantage of the raising of the limit on the maximum value of placings from £5m to £15m.

J. Henry Schroder Wagg, the merchant bank sponsoring the flotation, is placing 9.1m shares, representing 25 per cent of Hoskyns' equity, at 128p a share. The sum being raised is £11.7m.

All the shares being sold are at present owned by Martin Marietta, so no new money is being raised by Hoskyns.

Hoskyns was founded in 1964 by Sir John Hoskyns, now director general of the Institute of Directors, to provide an independent computer consultancy service to British industry.

It was acquired by Martin Marietta, the distributor of its products in the US, in 1975, but operated as an autonomously managed unit within the Martin Marietta Data Systems division.

Pre-tax profits have risen from £1.7m in 1982 to £4.5m in the year to last October on turnover up from £26.5m to £67.7m.

The placing price represents a multiple of 17.1 times earnings on the current actual tax charge of 39.6 per cent.

Brokers to the issue are Hoare Govett and Schroder Securities.

Mayborn placing on USM

BY RICHARD TOMKINS

Mayborn, the consumer products company, best-known for its Dylon range of dyes, is coming to the USM through a placing of 4.9m of its shares by Hill Samuel, the merchant bank.

At the placing price of 102p, some £5m will be raised in the issue and the company will be valued at £19.4m. Brokers to the issue are Scrimgeour Vickers.

Mayborn was founded on its Dylon dye packaging business in 1946 but began to branch out into other product areas after Michael Samuel, son of Lord Bearstead, the non-executive chairman, took over as managing director in 1980.

Its acquisitions include Jackel, which supplies baby products under the Tommee Tippee brand name; Romney, the distributor of Bama shoe inserts; and Stahlwood, which supplies toys and baby care accessories in the US.

Pre-tax profits have grown from £587,000 in 1981 to £1.9m in the year to December 1985.

For the current year Mayborn is forecasting profits of £2.35m, putting the shares on a prospective price/earnings ratio of 10.6 after an estimated 35 per cent tax charge.

Some 3.5m of the shares being issued will come from the company to raise £3m net for its expansion, and the rest are coming from existing shareholders.

RICHARDS (spinner of high technology yarns): Final dividend 1.3p (1.1p) making 1.9p (1.6p) for year to September 30 1986. Turnover £16.47m (£13.78m). Pre-tax profit £728,000 (£512,000); tax takes £214,000 (£112,000), extraordinary credit £1.62m (nil) representing profit on sale of land at Garthdee. Earnings per 10p share 4.26p (3.31p).

I.G. INDEX
FT for December
1,274-1,280 (−3)
Tel: 01-828 5699

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—BSS, Caffyns, Philip Harris, Hogg Robinson, Imperial Continental Gas, Oceonics, Plysu, Prontaprint, Scottish and Newcastle Breweries, Sterling Publishing, Tops Estates, Triplex.

Finals—Archimedes Investment Trust, Cardiff Property, Hawtin, McCorquodale, Plaxtons (GB).

FUTURE DATES

Interims—
Baldwin .... Dec 17
Batleys .... Dec 22
Electronic Rentals .... Jan 19
Firth (G. M.) .... Dec 22
Parkfield .... Jan 14

Finals—
Hawtin .... Jan 9
Irish Ropes .... Dec 18

Legal Notice

IN THE MATTER OF THE COMPANIES ACT 1985 AND SALEDAY LIMITED

NOTICE IS HEREBY GIVEN Pursuant to Section 588 of the Companies Act 1985 that a Meeting of the Creditors of the above-named Company will be held at the offices of Single and Company, 35 New Broad Street, London, EC2, on Thursday 18th December 1986, at 2.30 pm, for the purposes mentioned in Sections 589 and 590 of the Said Act. Dated this 24th day of November 1986.

By Order of the Board,
T. STEGERS,
Director.

Company Notice

BANK LEUMI (UK) PLC
US$70,000,000
Undated Primary Capital Floating Rate Notes

The interest rate applicable to the above Notes in respect of the interest period commencing 16th December 1986 has been fixed at 6¾% per annum.

The interest amounting to US$33.49 per US$1,000 and US$334.93 per US$10,000 principal amount of the Notes will be paid on 16th June 1987 against presentation of Coupon No. 3.

BANK LEUMI (UK) Plc
Principal Paying Officer

NOTICE OF MANDATORY PARTIAL REDEMPTION

PROVINCE OF QUEBEC
US$150,000,000
12¼ per cent Bonds due 1994

Notice is hereby given that in accordance with clause 6(b) of the Terms and Conditions of the Bonds, US$5,000,000 principal amount will be drawn for redemption, through the operation of the mandatory sinking fund, on the next Interest Payment Date being 1st February, 1987.

The last date on which exchange or transfer of Bonds may be made, pursuant to condition 3 of the Bonds, will be 18th December, 1986, being 15 days immediately preceding 2nd January, 1987 when notice will be given specifying the serial numbers of Bonds called for such redemption.

Bankers Trust Company, London
16th December, 1986
Agent Bank

UK COMPANY NEWS

Yorkshire TV beats forecast with £8.9m

Yorkshire Television Holdings beat its profit forecast at the time of its flotation in August with pre-tax figures for the year to September 30, 1986 of £8.93m, against £8.58m last time. And the company has announced the acquisition of stakes in two companies which sell and instal satellite receiving equipment for domestic and corporate users.

The result was achieved on turnover up at £112.86m (£94.54m). Earnings per share came out at 16.1p (6.6p) and the directors are proposing a final payment of 4p, in line with the flotation forecast.

Sir Derek Palmar, chairman, said that the company succeeded in maintaining its share of net advertising revenue with a rising trend towards the year end. That had continued in the first two motnhs of the present year.

Yorkshire has bought 40 per cent of Starvision and 50 per cent of Tele-Aerials Satellite for a total £410,000 cash. Loan facilities of up to £1.5m are also being made available to finance expansion.

Pre-tax profits were after Exchequer Levy of £3.37m (nil) and after a non-recurring payment to the pension fund of £1.25m.

There was an increase in the Channel 4 charge to £1.68m, also taken above the line, because of a change in the calculation of the charge.

Tax took £3.63m (£1.44m). There were extraordinary debits of £498,000 (nil), made up of flotation costs of £1.1m, a provision of £238,000 against an unlisted investment less a £686,000 profit on the sale of about two-thirds of its investment in Music Channel.

● comment

Yorkshire TV has not only beaten all the forecasts made when it was floated in August but Mr Fox seems to have put into storage some of the company's embarrassingly large profits. The pre-tax total looks more like £10.25m if the pensions fund top-up and the sensible Channel 4 subscription provisions are added back and the difference is worth a penny on earnings. The rise in net advertising revenues was hardened up by an improvement in rates that halved the once yawning 25 per cent gap when compared with the national average. Overseas sales should be ahead strongly this year and a bigger share of network programme making will generate even more exportable products. City forecasts have been upped and £11m should be possible, puttng the shares at 171p on a prospective multiple of 8. An 8p dividend produces a competitive 6.7 per cent prospective yield and those who thought the shares a good buy in August have every reason for seeing them in the same way today.

Hogg unveils terms of divestment

By Nick Bunker, Insurance Correspondent

Hogg Robinson, the insurance broking, transport and financial services group, unveiled yesterday terms for the sale of the smaller of its two Lloyd's of London managing agencies.

Hogg's wholly-owned subsidiary, Gardner Mountain and Capel-Cure Agencies, is selling its business of managing three Lloyd's insurance syndicates, in return for a share of future profit commissions plus £60,000.

The buyer is Claremount Underwriting Agents, a new company formed by the syndicates' previous management, including their active underwriters. A formula has been worked out whereby Hogg Robinson will receive a gradually decreasing percentage of profit commissions from the management of the three syndicates for each of the six Lloyd's underwriting years from 1984 to 1989.

Hogg said yesterday that if the divestment arrangements had been applied in the year ending March 31, 1986, the profit commissions would have totalled £734,000, with Hogg Robinson receiving £487,000 pre-tax. Hogg Robinson's 1985-86 results included a £291,000 pre-tax profit contribution from Gardner Mountain.

Hogg said that on completion of the divestment Gardner Mountain and Capel-Cure would re-register with Lloyd's as a members' agent within the Hogg Robinson group.

Hogg Robinson's shareholders are due to meet this week to vote on the group's proposed terms for its divestment of Janson Green, its other Lloyd's underwriting agent.

Capital Radio reports an 82% rise to £1.7m

Capital Radio, which is to seek a full listing on the London Stock Exchange in the early part of 1987, announced a sharp increase in pre-tax profits — up 82 per cent from £936,000 to £1.7m—for the year to September 30 1986.

Group trading profit before deductions for IBA primary and secondary rentals and the Exchequer Levy amounting to £2.1m (same), was £3.6m (£2.8m) on turnover of £18.5m (£17.5m).

Chairman Sir Richard Attenborough said Britain's biggest independent radio station's "excellent" year had been the result of company economies, a 10 per cent growth in advertising revenue and a reduction in the Exchequer Levy.

Craton Lodge profits rise

Craton Lodge & Knight, the USM —quoted product development consultant, reported pretax profits up from £501,000 to £605,000 for the year to September 30 1986, from an increase of £440,000 to £3.41m in turnover.

The chairman, Mr D. M. Craton said the encouraging performance had continued into the new financial year, and prospects fo rthe new product development business appeared more promising than they had at the same stage in any preceding year.

Tax took £245,000 (£229,000) leavink earnings per share of 6.36p (4.83p). The total dividend is raised from 1.85p to 2.2p with a proposed final payment of 1.6p for the 1p ordinary.

Ratners £27m sale and leaseback

Ratners (Jewellers) has arranged for the sale and leaseback of a portfolio of freehold properties for a total of £27m, which represents an increase of approximately £8m over boo value as at January 31 1986.

Ratners group had agreed to leasebac these properties on 25-year repairing leases with five-yearly rent reviews.

Initial annual rentals total some £1.1m. Completion in respect of certain properties is expected to tae place at end-January 1987 when 50 per cent of consideration becomes due; remainder due to take place on March 26 1987.

The exercise will enable group to reduce its borrowing and provide flexibility in its plans for expansion.

COMPANY NEWS IN BRIEF

JOHN SWAN & SONS (livestock auctioneers and estate agents): Turnover for six months to October 31 1986 was £548,200 (£498,900) and pre-tax profit £153,900 (£118,600). Tax charged £52,300 (£41,500) and net profit after tax was £101,600 (£77,100) giving earnings per share of 15.1p (11.5p).

CITY SITE ESTATES. Final dividend 0.49p (0.41p) making 0.96p (0.82p). Rental income £960,000 (£456,000) and profit before tax was £339,000 (£554,000) for year to September 1986. Realised gain on investments was £116,000 (nil), tax charged £115,000 (£241,000) leaving attributable profits of £340,000 (£313,000). Earnings per share were 2.27p (7.21p).

THE INVESTMENT COMPANY: Interim dividend 0.45p (0.4375p). Pre-tax revenue £469,000 (£507,000) for six months to September 1986. Tax charged £140,000 (£152,000) leaving earnings per share of 2.15p (1.9p).

QUEENS MOAT HOUSES: Contracts have been exchanged for the purchase of Airborn Travel in a profit-linked deal from Messrs Jeffrey and Max Petar. Total consideration is £945,000 in share instalments plus a maximum possible bonus payment of £351,000 to be satisfied by instalments in Queens Moat shares issued to the vendors dependent upon achievement of specified profit levels.

BORDER TELEVISION: Subscriptions were received in respect of 4,950,472 shares (97.8 per cent) in respect of the rights offer of 5,059,997 ordinary shares at 13p each. Preparations are at an advanced stage for the introduction, through Henry Cooke, Lumsden, of the ordinry shares to the USM.

MARINA DEVELOPMENT Group (USM-quoted operator of boating marinas). Turnover £1.91m and pre-tax profit of £102,000. Tax £80,000 leaving earnings per 50p share 2.34p. Results are for six months to September 30 1986 but cover trading period Juse 18 1986 to September 30. On pro-forma basis turnover for period is £3.3m (£3.28m) and pre-tax profits £248,000 (£22,000).

CPI HOLDINGS (concrete products). Second interim 1p making 2p to-date (2p for year to September 30 1985) for 12 months to September 30, 1986. Turnover was Ir£48.55m (£46.26m) compared with £47.08m and pre-tax profits £147,000 (£444,000). There was no tax charged (£159,000) and stated earnings per share were 1.2p (2.4p). Company is a subsidiary of Marley (Overseas).

TADDALE INVESTMENTS swung back with pre-tax profits of £35,783 in the year to April 30 1986, compared with losses of £2.1m in the previous year. The company was subsequently re-structured. After tax and extraordinary charges, it incurred losses, however, of £1.26m (£5.47m).

SHARE STAKES

CHANGES in company share stakes announced during the past week included:

Geest—The Kuwait Investment Office has an interest in 4,950,000 ordinary (7.57 per cent).

Thorpac Group — Chairman Mr Michael Moseley has acquired 50,000 ordinary and now holds 635,000 ordinary (27.2 per cent).

Parkland Textile (Holdings)—Rockfield has acquired 25,000 ordinary and now holds 252,884 (15.49 per cent).

Newman Industries—Investors in Industry have reduced their holding to 7,166,666 ordinary (5.68 per cent).

Smith New Court—Director Mr H. M. Dritz acquired 20,000 ordinary shares, increasing total holding to 30,000 (0.113 per cent).

Munton Brothers — Director Mr H. M. Garfield purchased 10,000 shares at 23p on November 28.

Atlantic Resources—Mr G. L. McGuinness, a director, disposed of 300,000 ordinary shares, altering total holdings to 250,000 shares (0.2 per cent).

M. J. Gleeson—Following the sale of 36,462 ordinary shares in which her family was interested, Mrs J. C. Cooper's interest has been reduced to 5.99 per cent.

City of Dublin—Mr K. Riley is the registered holder of 1,022,257 shares (10 per cent).

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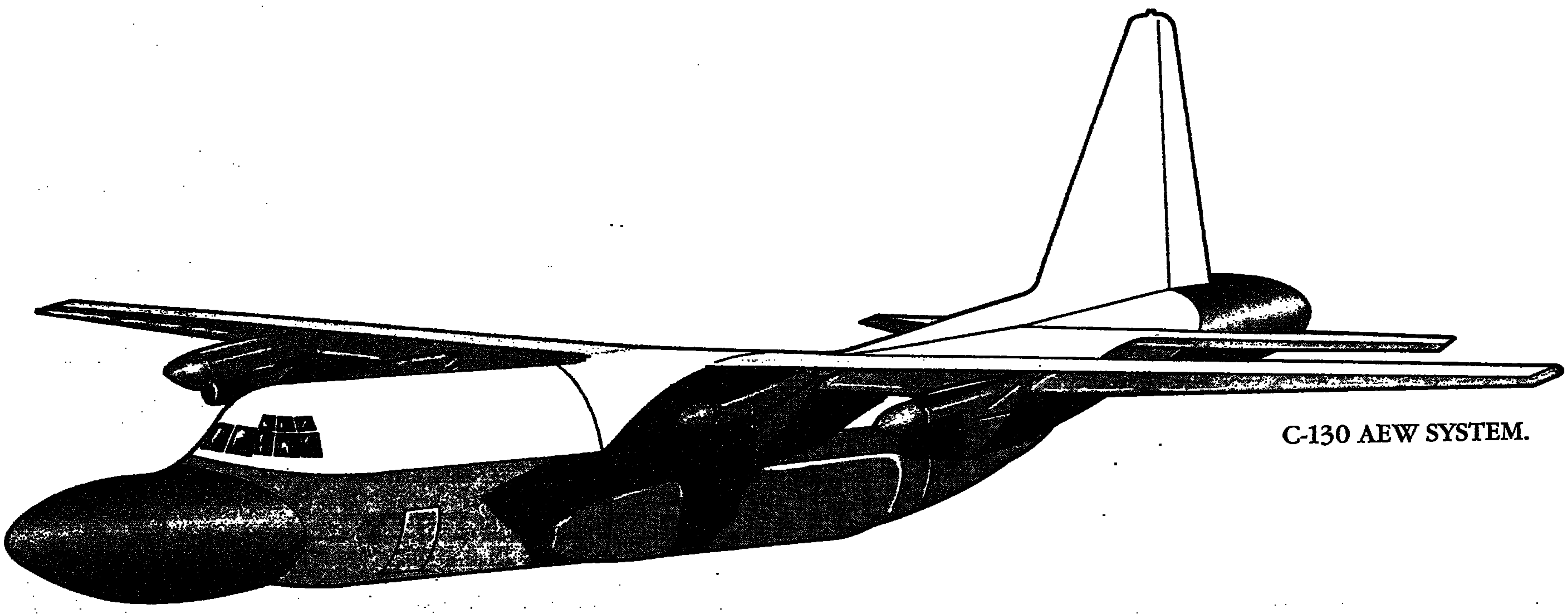

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FT COMMERCIAL LAW REPORTS

Surplus funds remain with employees

RE COURAGE PENSION SCHEMES
Chancery Division: Mr Justice Millett: December 12 1986

SUBSTITUTION OF a new company for the principal company in a contributory pension scheme for employees is invalid if its purpose is not to preserve the scheme for the benefit of employees, but to enable the substituted company to hive off surplus funds for its own benefit.

Mr Justice Millett so held when giving judgment for the plaintiffs, members of the committees of management of three contributory pension schemes established for the benefit of employees of the Courage group of companies, on their summons for a ruling that amendments to the schemes proposed by Hanson Trust plc, would be invalid. Hanson was not a party to the action. The defendants were Imperial Brewing and Leisure Ltd, a representative member of the schemes, and the trustees.

HIS LORDSHIP said that in April 1986 Hanson acquired Imperial Group. One of Imperial's subsidiaries was Imperial Brewing and Leisure Ltd ("IBL") which now consisted only of the Courage group of companies.

On November 19 1986 Hanson sold IBL and its subsidiaries to Elders IXL Ltd, a South Australian company, for approximately £1.4bn.

IBL operated three contributory pension schemes for employees within the Courage group. Each was governed by its own trust deed and rules. Since 1982 investments in the schemes had been held by trustees. Active management was entrusted to a committee of management, with power to act by majority.

When Hanson acquired Imperial, there was an estimated total surplus of £80m in the three schemes. IBL and the scheme members were enjoying a "contributions holiday." It was not expected that contributions would be needed for another 10 years.

In February 1986, shortly after Hanson's unwelcome bid for Imperial, the committee of management closed the schemes to new members, to protect the members' interests from a predator. In October provision was made for new and prospective employees of IBL by execution of three deeds establishing interim contributory pension schemes, to be absorbed in the principal scheme should it be re-opened.

Hanson had made no secret of its desire to remove for its own benefit, or for that of employees remaining in its group, the greater part of the surplus in the schemes.

To achieve that it had formulated proposals: (i) despite the sale of IBL and subsidiaries to Elders, the schemes would remain with Hanson by substituting Hanson for IBL as the principal company in each scheme; (ii) employed members of each scheme would be transferred to a scheme established by Elders; (iii) there would be transferred with the employed members sufficient funds to secure the benefits currently provided by the scheme, together with £10m representing part of the £80m surplus; (iv) the only members remaining would be the pensioners, deferred pensioners, and some 350 persons employed in businesses retained by Hanson — though Hanson was actively seeking a buyer for them; (vi) Hanson could then either run off the schemes as closed schemes or seek to re-open them to new entrants within its group — in either case Hanson rather than IBL would be entitled to the benefit of any suspension of employers' contributions.

Effectively, therefore, Hanson was selling Imperial Group to Elders, but was proposing to exclude the greater part of the surplus in the schemes from the sale. If it could not achieve that it was to receive additional consideration for the sale.

Drafts of nine amending deeds to implement the proposals were circulated to members of the committee of management. They expressed concern at the proposed exclusion of employed members from the schemes and the terms on which the estimated £80m was to be apportioned, leaving all but £10m in the retained fund.

On November 5 1986 the committee members issued the present originating summons. The question was whether they were at liberty, or bound, to execute the amending deeds.

Under the terms of the schemes the committee had a discretion to execute amending deeds. It might do so only if the proposed amendments were within the power to amend and could properly be made.

The approach to be adopted by the courts to the construction of the trust deed and rules of a pension scheme was:

First: there were no special rules of construction, but the provisions should, wherever possible, be construed to give reasonable and practical effect to the scheme, bearing in mind that it had to be operated against a constantly changing background. It was important to avoid unduly fettering the power to amend thereby preventing changes required by the exigencies of commercial life.

Secondly, in the case of an institution of long duration and gradually changing membership like a club or a pension scheme, each alteration in the rules must be tested by reference to the situation at the time of the proposed alteration, and not by reference to the rules at inception. By changes made gradually over a long period, alterations might be made which would not be acceptable all at once. Even the main purpose might be changed by degrees.

In each scheme "the company" was defined as IBL, and each was a pension scheme for the employees of a group of companies defined as IBL and its associated companies. There was a limited right to substitute another company for IBL, but only if the company was wound up for reconstruction or amalgamation. The only company which might be substituted was the reconstructed or amalgamated company.

The current substitution clause would not permit substitution of Hanson for IBL.

It was obviously desirable that some provision for substitution should be included in a group pension scheme. It would be unfortunate if the whole scheme had to be wound up merely because on reorganisation of the group the principal company was put into liquidation.

Where on a reconstruction or amalgamation substantially the same persons continued to be employed in the undertaking, substitution of the reconstructed or amalgamated company for the original principal company was not only necessary and desirable, but could properly be said to promote the main purpose of the scheme and not to alter it.

That, however, was not the present case. Courage had not been reconstructed but sold.

The purpose of the proposed substitution was not to preserve the schemes in existence for the benefit of those employed in the undertaking, but to prevent the schemes from continuing for their benefit, and to bring about an unnecessary dissolution of the schemes which would not otherwise occur.

Amendment of the trust deeds and rules to permit the substitution of Hanson for IBL would manifestly alter the main purpose of the schemes and be *ultra vires*.

The validity of a power of substitution depended on the circumstances in which it could be exercised, the characteristics of the company being substituted, and the *purpose* for which the substitution was made.

The circumstances must be such that substitution was necessary or *expedient* to preserve the scheme for those whose benefit it was established; and the substituted company must be recognisably the successor to the business and workforce of the company for which it was to be substituted.

It was not enough that it was a member of the same group or even that it was the holding company of the company for which it was substituted. It must have succeeded to all or much of the business of the former company and have taken over the employment of all or most of the former company's employees.

The *object* in substituting Hanson for IBL was to bring about a dissolution or partial dissolution of the schemes on completion of the sale to Elders, which would otherwise not have occurred. That was foreign to the purpose for which the power was conferred, and invalidated any exercise of the power.

Accordingly the committee of management was not at liberty to execute the amending deeds by which Hanson was to be substituted for IBL.

The second question was whether the schemes could be re-opened. The committee's powers were vested in a *fiduciary* capacity and even if its present members could fetter their powers and discretions, they could *not* deprive their successors of the right to exercise them. Whether or not closure of the schemes could have been made proof against re-opening, that had not been done.

Hanson's proposals, which were *disallowed*, were *designed* to remove for its own benefit, or for the benefit of employees in its group, all but £10m of the surplus in the schemes.

Employees had no legal right to a "contributions holiday." Any surplus arose from past overfunding by the employer alone. But while the employees had no legal right to participate in the surpluses they were entitled to have them dealt with by discussion and negotiation between their continuing employers and the committee of management, and not to be irrevocably parted from them by the unilateral decision of a take-over raider with only a transitory interest in the share capital of the companies which employed them.

By Rachel Davies
Barrister

FINANCIAL TIMES SURVEY

Tuesday December 16 1986

YUGOSLAVIA

TRADE AND INDUSTRY

The unique experiment in "market socialism" is not yet improving the economy and the Government appears reluctant to face up to the need for shifting the balance by relying more on market forces and less on socialism.

A shift in the balance

By Margaret van Hattem

"LORD MAKE me chaste—but not yet," St Augustine's prayer, appears to have been elevated to the status of official government policy in Belgrade. The Yugoslavs, the least dogmatic, and most economically adventurous of European socialist countries, have had to admit that their own unique experiment in "market socialism" is not working.

The answer they are under increasing pressure to accept is a *shift in the balance—a little* more market, a little less socialism. But they cannot quite bring themselves to take the necessary steps.

Few would disagree that the economy is in a mess. Inflation is nudging 95 per cent. Growth is sluggish, hard currency earnings being eaten away as imports surge ahead of exports. Unemployment, or under-employment as some prefer to call it, is rising. So is the number of strikes, albeit from a small base.

Real incomes are once again rising faster than productivity. Foreign debt in hard currency stands at almost $20bn, and has had to be rescheduled.

There is little argument about where the remedy lies. Ministers, party leaders and heads of enterprises are at one with the International Monetary Fund (IMF), the creditor banks and governments, on the need for tighter finanical discipline, greater responsiveness to market *signals and the emergence of a "real" economy* with a realistic exchange rate, positive real interest rates, realistic valuation of assets and wage rises linked to productivity.

The Government of Mr Branko Mikulic, which has made economic recovery its priority is trying to implement a stabilisation programme based on *precisely these aims. Successive* economic measures and reform packages this year have, however, failed to halt the decline.

Some of the measures, as senior officials of the National Bank of Yugoslavia now admit, were ill-conceived, others have not been properly implemented. Indeed, as Mr Stefan Korosec, a member of the central committee admits, much of the 13th congress of the League of Communists of Yugoslavia last June had to be devoted to reaffirming support for the long-term programme "because we had not succeeded in implementing the changes we wanted."

"We have reached the point," he adds, "where reform must be introduced even if it is painful. And we will be tough — we have no other option."

It is evident, however, that *there are more headaches just around the corner* for the Government. Earlier this month, initial discussion in parliamentary committees of the Government's long-delayed "autumn package" of reforms revealed a distinct lack of enthusiasm, and no sense of urgency about the economic situation.

Delegates from the Macedonia, Montenegro and Kosovo, regions which are virtually bankrupt, are making their support conditional on financial aid. Those from Croatia advocate gradual implementation while delegates from Slovenia insist implementation should be delayed until 1988.

Underlying the Government's problems are two unresolved, possibly unresolvable, problems. The first centres on the almost unworkable political structure bequeathed by Tito. Presumably designed to prevent any of his successors from accumulating as much power as he had enjoyed, it has so weakened the federal authorities by devolving power to the regions, and the self managing enterprises, as to be ironically described by Yugoslavs as an eight-party system.

Federal politicians, who generally return to their republics after a stint in Belgrade, remain primarily Serbs, Croats or Macedonians. The Yugoslav identity surfaces at about the same point as French, British and German members of the EEC Council of Ministers start to think of themselves as Europeans.

The second problem is one confronting all socialist economies, not least the USSR—that of reconciling socialist principles with the disciplines of market economics. When party leaders in Belgrade speak of "resistance to reform at all levels," they are not referring only to vested interests, to the bureaucrats and businessmen who have grown sleek and complacent, insulated by artificial accounting methods and an unreal exchange rate. Nor do they mean only regional power groups who have learned how to shape the system to their own ends. There are also signs within the party, even at the highest levels, of a debilitating ideological split over the scope, pace and nature of reforms.

As in Britain there are profound differences over the degree to which businesses and citizens should be exposed to the suffering that will inevitably accompany the harsh measures that most consider necessary.

The result is that Mr Mikulic, who came to the prime ministership only last May with the reputation of being a tough interventionist manager, has quickly discovered he has neither the support nor the means to push through the reforms that constitute the basis of his entire programme.

Should inflation continue its gallop, the crisis could prompt a stronger presence to step into the power vacuum. But talk of a Yugoslav Jaruzelski taking over as in Poland seems highly premature, and improbable.

On the other hand, the possibility that Yugoslavia, having just emerged from a 6½-year IMF austerity programme, may be forced by its Western creditors to seek a new stand-by credit arrangement, cannot be ruled out.

The IMF, which has continued monitoring the Yugoslav economy on a less formal basis, has been scathing in its criticisms of the Government's failures to implement its declared policies.

Indeed, it has questioned the Government's commitment to market economics and a "real" economy in view of what it regards as highly inflationary policies. In particular it has criticised the substantial cut in interest rates effected in July, and the reinforcing of price controls.

It has also criticised changes in the law on foreign exchange, brought-in a year ago, which abolish exporters' rights to retain their foreign currency earnings and, if they wish, sell them at a premium to other enterprises.

The Government has attempted to compensate for the loss of this perk by offering easier credit and foreign currency allocations to export-oriented enterprises. But in the present climate, with the dinar still generally regarded as substantially overvalued, many enterprises find it more profitable to sell on the domestic market than to export.

The Government has little way of ensuring that what are intended as incentives to boost *hard-currency-earning exports* are not diverted to subsidise further production for the domestic market.

So the export-led growth which the Government hopes will pull the economy out of stagnation may be a long time coming. Exports are increasing. Statistics computed on the basis of current exchange rates show that in the first 10 months of this year, exports rose 4.3 per cent over the, admittedly poor, 1985 period, with hard currency exports up 11.1 per cent.

Imports, however, rose even faster, at 8.8 per cent and 23.8 per cent respectively, resulting in a $1.8bn hard currency trade deficit.

Government estimates of a $350m-$400m hard currency surplus on current account for the year, especially following a $1bn hard currency debt repayment, are viewed with considerable interest in Belgrade.

The Government has forecast a 4 per cent rise in industrial output for 1986 over 1985, and a 5 per cent rise in agricultural output, boosting growth in social product (the Yugoslav equivalent of gross national product) to 3.7 per cent. Some western observers suggest such projections are over-optimistic.

The overall picture is one of confusion, mismanagement and lack of direction, but not of total gloom. Yugoslavia is not a poor country, but if its constituent parts cannot be made to work more as a whole, it could rapidly become one.

The task ahead for Prime Minister Branko Mikulic is to expose industry more to market forces and boost exports. From the top (in a clockwise direction) are a Nish electronics plant in Serbia, a shipyard in Split, a tractor production in Belgrade and a Yugo 55 model

YUGOSLAVIA: Trade & Industry 2

Foreign trade

Priority task is to boost exports

YUGOSLAVS and foreign observers in Belgrade will be in for a surprise when trade figures for this year, prepared on the basis of new, internationally-applied methodology, are published.

Exports to the hard currency countries and especially to developed countries will show a big increase, contrary to the widely-held opinion that they have been more or less stagnating. Imports and the trade deficit will also be larger than reckoned so far.

Until now, foreign trade statistics have been computed on the basis of the "statistical" dollar. Its value was fixed by the Government at the end of a year to be applied in the following year.

For 1986, that value is Yugoslav dinars 264.53 to a US dollar. In addition, no changes in inter-currency rates occurring during the year were taken into account. Thus figures obtained have been distorting the picture.

Therefore the decision was taken to switch to computations based on current dinar and inter-currency exchange rates. That will be applied from January 1, 1987.

For ten months of 1986 compared to the same period of 1985 percentage changes according to the old and new methodology for some selected categories were as the table (column 8) shows.

For the year as a whole, export results are expected to be even better as exporters struggle to increase their deliveries. The trade deficit is estimated by the foreign trade ministry at about $1,950m, some $200m more than in 1985. However, higher invisible earnings will enable the current account balance to show a surplus for the fourth consecutive year, although at $350m to $400m (hard currency) it will be somewhat lower than last year.

Reserves will increase by some $200m, and $1bn or more of the debt principal will be repaid. This will be possible because, while in 1985 many claims for goods and services supplied could not be collected, in 1986 many of the goods imported were already partly paid for in the preceding year. Unfortunately, the repayment of principal will not reduce the overall debt.

Because of its currency composition and the fall of the dollar *vis-à-vis* other currencies, the dollar amount will remain the same or even higher. Debt servicing will be reduced from 44 to some 39 per cent of foreign exchange earnings.

The fall of the dollar has harmed trade as a large part of it (60 per cent of exports) is transacted in that currency. But on the whole it will not damage the balance of payments because the share of the dollar in invisible trade is much lower, with most tourists coming from Germany, and most guestworkers who remit part of their earnings working there.

Terms of trade have been in Yugoslavia's favour in 1986. Export prices in 10 months fell only 1 per cent, while import prices fell by 8 per cent. Thus the export volume fell by 2.4 per cent (to hard currency area 0.3 per cent) whereas import volume was 7 per cent higher, of which oil was 26 per cent and other goods 2 per cent.

THE GOVERNMENT'S economic stabilisation programme aims to open the economy to market influences, reduce direct state intervention and bring in positive real interest rates, a realistic exchange rate, a personal incomes policy more closely linked to enterprise profitability and tighter financial discipline.

Its June package of measures included:

- **Price controls. Advance warning interval for rises on 42 per cent of industrial goods boosted from 30 to 120 days. Certain other prices cut back to March 1 levels.**
- **Easier credit and import rights, including foreign currency allocation, for export-oriented companies.**
- **Interest rate cuts. Changes in the formula for fixing the 12-month deposit rate led to a cut in the selective lending rate from 71 to 56 per cent, in the three-month deposit rate from 73 to 42 per cent, and in the 12-month rate from 76 to 56 per cent, effective from July 1.**
- **Faster depreciation of the dinar.**
- **A "social compact" linking wage rises to productivity.**

The autumn package now under consideration includes:

- **Tighter control over valuation of assets, to prevent manipulation of depreciation allowances and other forms of creative accounting.**
- **Abolition of the "statistical dollar," fixed once yearly in computing statistics, in favour of constantly updated foreign exchange parities.**
- **Introduction of a new formula for fixing interest rates, based on producer price rises over the past six months, aimed at raising rates generally.**
- **Provisions for the liquidation of enterprises consistently unable to break even.**

With lower oil prices and surpluses or uncollected claims in trade with the USSR and some Opec members like Iraq, Yugoslavia has been importing considerably more oil. In 10 months in excess of 10m tonnes were imported, compared with 8.6m tonnes for the whole of 1985.

Other trends in foreign trade have been satisfactory in 1986. The share of finished goods in total exports has been 95 per cent (73 per cent with high and 22 per cent with ordinary degree of finishing) while their share in total imports has been much lower, and the share of raw materials much higher.

Imports of equipment, important from the point of view of keeping pace with technological development, have been increased and will total some $1.2bn in 1986, and continue to rise.

On the whole, Yugoslavia cannot be satisfied with its export performance, as exports have been too low to allow for larger imports (in fact, the ratio of exports to imports has been reduced from 86.7 per cent in 10 months of 1985 to 83 per cent in 1986, and in trade with developed countries from 66.9 to 65.5 per cent). Boosting exports remains a priority task of the economy.

For 1987, a 5 per cent increase of exports has been planned, which will be difficult to achieve for both external and domestic reasons. World trade, according to international organisations, will not grow very much next year and protectionist tendencies will remain.

In spite of that, Yugoslav planners think they can increase their country's share in world exports from 0.55 per cent in 1986 to 0.6 per cent in 1987, or their share of the OECD markets from 0.39 per cent in 1986 (first half) to 0.44 in 1987.

For that to happen, several prerequisites are needed. First of all, Yugoslav manufacturers have to be better motivated to export. For most, it is more profitable to sell on the domestic market at the moment. According to businessmen and most economists, the dinar has been overvalued by some 25-30 per cent, and its depreciation should be speeded up.

The Government's official policy for 1987 is that most producers should have at least as much incentive to export as to sell locally. Only the least efficient producers should find it unprofitable to export. That implies that the exchange rate will be adequately adjusted, and export incentives increased in 1987.

Measures introduced in 1986, like easier credit terms for production for export, abolition of credit limits for export, tax benefits for exporters, better support for export of investment goods and shipbuilding will continue in 1987. Changes in foreign exchange legislation will make it easier for manufacturers to obtain foreign exchange for their export production.

Hand in hand with those measures will be further efforts to curb excessive domestic demand and stimulate production, in order to secure more goods for sales abroad.

Joint production and export programmes of Yugoslav producers will enjoy special favourable treatment. Criteria for such programmes were set out by the Federal government last July. Since then, some 60 programmes have been under preparation, 12 submitted for approval, but so far only two—for the Yugo car industry and tourism—accepted, with some sent back for changes and a few rejected as not falling under established criteria.

Aleksandar Lebl

Changes over 10 months

	Old %	New %
TOTAL		
Exports	−3.4	+4.3
Imports	−1.6	+8.8
Deficit	+10.1	+11.5
HARD CURRENCY		
Exports	−1.3	+11.1
Imports	+4.5	+23.8
Deficit	+30.6	+60.6
DEVELOPED COUNTRIES		
Exports	+2.7	+23.6
Imports	+3.4	+26.3
Deficit	+4.9	+31.7

Trade figures for 10 months are given in a separate table.

Foreign Trade

(January-October, in US$m at current market exchange rates)

	1985	1986	Percentage change
TOTAL			
Exports	8,253.4	8,608.7	4.3
Imports	9,515.9	10,349.6	8.8
Deficit	−1,261.6	−1,740.9	11.5
HARD CURRENCY			
Exports	5,102.7	5,667.7	11.1
Imports	6,263.8	7,531.9	23.8
Deficit	−1,161.1	−1,864.2	60.6
CLEARING			
Exports	3,150.7	2,941.0	−6.7
Imports	3,251.2	2,817.7	−13.3
Deficit or surplus	−100.5	+123.3	—

	1985	1986	Percentage change
DEVELOPED COUNTRIES			
Exports	2,895.2	3,578.2	23.6
Imports	4,325.5	5,461.5	26.3
Deficit	−1,430.2	−1,883.3	31.7
DEVELOPING COUNTRIES			
Exports	1,209.1	1,188.8	−1.7
Imports	2,031.8	1,779.5	−27.9
Deficit	−831.7	−599.5	−27.9
SOCIALIST COUNTRIES			
Exports	4,158.0	3,850.5	−7.4
Imports	3,157.7	3,108.6	−1.6
Surplus	+1,000.3	+741.9	−25.8

Source: Federal Statistical Office of Yugoslavia.

Relations with international institutions

Economic performance disappoints

RELATIONS BETWEEN Yugoslavia and its creditors—banks, governments and international institutions—appear to have hit a distinctly frosty patch. The creditors are becoming increasingly critical of the structural economic and political weaknesses to which they attribute the country's faltering growth and soaring inflation, and increasingly dismissive of the Government's failure to come to grips with the problems.

The Government, for its part, is growing more resentful of what it regards as unfair criticism and failure to appreciate the efforts it is making.

The International Monetary Fund is no longer directly holding the purse strings. After — and a half years of supervising the Yugoslav economy, its most recent stand-by credit arrangement ended in mid-May, and was not renewed. The IMF has, however, agreed with the Yugoslav authorities to continue monitoring economic performance, albeit in a less rigorous manner, mainly to reassure western governments and banks who are currently owed around $18bn.

The IMF continues monitoring but no longer directly holds the purse strings

The fund's twice-yearly reports, though no longer a source of direct pressure on the Yugoslav authorities, are intended to help western creditors reach decisions on Yugoslavia's requests for rescheduling and further credit.

Last April, the creditor governments—primarily the U.S., West Germany, Italy, Britain and France — agreed to reschedule $2bn of debt falling due between May 1986 and April 1988. However, the agreement is precise only on debt falling due in the first year. Conditions for the second year, and for debt falling due in the remainder of 1988, will depend on the assessment currently being prepared by an IMF team.

A similar arrangement reached with bank creditors in August 1985, involving $3.5m debt, falling due between 1985 and 1988, was earlier this year linked by the banks to targets for hard currency exports and reserves. Failure to meet the targets would trigger a procedure that might well force Yugoslavia to re-apply for IMF stand-by facilities.

It is not only the IMF and the creditor banks and governments who remain unimpressed by Yugoslav economic policy and performance. The World Bank, the International Finance Corporation (IFC) and the European Investment Bank also appear to be holding back.

The World Bank has grown increasingly critical of the Government's failure to stick to its principles and allow the economy to respond to market signals. So collaboration between the two is grinding to a halt.

Hardly any substantial projects have been undertaken in the past two years and this year, Yugoslav servicing on World Bank debt appears to have outstripped drawings on its existing loans from the bank.

At the same time, negotiations for a second structural adjustment loan (to follow the $275m loan agreed in 1983) appear to have become totally bogged down in disagreements over economic policy.

The Yugoslav authorities are hoping to involve the IFC, a co-founder of the International Investment Corporation for Yugoslavia, in setting up joint ventures but so far there appears to have been little response. Meanwhile, a new financial protocol with the EEC, enabling the European Investment Bank to increase its lending for Yugoslav infrastructure projects, has been blocked by the refusal of the EEC Council of Ministers to subsidise the interest payments through the EEC budget.

There is little apparent disagreement between the Government and its creditors on what is wrong with the economy and what needs to be done. Disagreement arises over the Government's continued failure to implement reform.

Less than a month after the expiry of its IMF standby arrangement, the Government outraged the fund by substantially cutting interest rates, in direct contradiction of its avowed commitment to positive real interest rates, and by introducing price controls.

An IMF team visiting Yugoslavia in June was scathing in its comments. Without tough new import controls and a much stricter credit policy to stop enterprises awarding themselves hefty wage rises, inflation would reach 100 per cent by the end of the year, it said.

There is little disagreement between the Government and its creditors about what needs to be done

The cuts in interest rates could only fuel inflation by reinforcing the flight from domestic money to foreign currency holdings, by adding to the incentive for high indebtedness, and by encouraging the misuse of resources for highly speculative ventures, it said.

Moreover, without positive real interest rates, the Government's attempts to restrict inter-enterprise credit could have only limited impact. The fund also condemned price controls and gave a warning that the abolition in December 1985 of exporters' rights to retain hard currency and sell it at a premium would both introduce new rigidities into the system of resource allocation, and further reduce incentives to export.

The government's measures, it commented, had cast strong doubt on the achievability of many of its 1986 targets.

Whether the IMF team currently preparing a report will be any more sympathetic remains to be seen. The Government and the financial authorities appear deeply resentful over the IMF's criticisms. "We are trying to understand and improve," said the National Bank of Yugoslavia.

Government negotiators express optimism that more recent measures will mollify the hard hearts of the IMF team. In particular they single out their new formula for determining interest rates, which they claim will produce positive real interest rates within the year, and the decision to update currency values constantly in computing foreign exchange statistics, instead of once a year.

The possibility that the IMF may not be so easily impressed does not, however, appear to be causing any sleepless nights in Belgrade. Yugoslavia's western creditors, for all their impatience with the federal authorities, for all their concern over the deteriorating economy, do not appear to underestimate the political risks involved in refusing further debt rescheduling and so possibly destabilising the Government.

The Yugoslavs are, so to speak, banking on that.

Aleksandar Lebl
Margaret van Hattem

Industrial Outlook

The phantom exposed

ONE OF THE comforting facts of economic life in Yugoslavia has been the growth of industrial output this year. In the first 10 months of this year it was 4.2 per cent higher than in the same period of last year.

Although the pace has been slowing down towards the end of the year (in October it was only 1 per cent above the level 12 months before), it is expected that the increase for the year as a whole will be close to 4 per cent.

That and the 5 per cent boost to agricultural output will lift the social product by an estimated 3.7 per cent. That is a modest rise for a country like Yugoslavia, but it is more than the combined growth in the 1981-1985 period of stagnation, when average annual growth was only 0.7 per cent, and the increase per capita almost stood still.

This year is also the first for several years for productivity to show an increase, albeit small, at an estimated 0.6 per cent. Employment is expected to show a rise of 3 per cent.

There have been wide differences from republic to republic and from industry to industry, which would require a separate analysis. Nevertheless, Yugoslav industry this year has been able to improve its export performance and also satisfy larger domestic demand, fuelled by an increase in real wages, the first after five years of substantial falls, and other sources of income. Increased imports of raw and intermediate materials contributed to its good performance. Imports of equipment, although still lagging behind, were also increased.

Yet, the situation in Yugoslav industry is far from idyllic. It is both fragmented, and dominated by price fixing cartels. After several years of low imports of new technology it is in need of modernisation.

It is overprotected from import competition, due to the lack of foreign exchange for all but essential imports. Its saving (accumulation) rate is very low, and it has to rely on borrowings in order to finance investments.

For that reason even interest rates way below inflation are an unbearable burden to it. It is excessively "milked" by governments, from local to federal, and by various social services, so that its share in its own income has been steadily falling in the last few years.

Due to the accounting system, which allows unrealistic depreciation and valuation of assets, managers have been able to inflate their companies' income and thereby their wages. Fictitious or phantom assets in Yugoslav industry and the whole economy have reached staggering proportions.

There has been an obvious need for reform, and a long-term stabilisation programme, approved more than three years ago after several years of heated debates diagnosed the ills and prescribed the medicine. It was bitter medicine. Instead of a phantom, a real economy has to be created it said.

It should be determined on the market place what was sound and capable of surviving and what should disappear. The programme itself was comprehensive and only its full implementation promised success but it was never implemented in its entirety because of opposition and bitter resistance to it as it hurt too many vested interests and privileges.

Partial implementation, which still does not produce positive real interest rates or realistic exchange rates, aggravated problems and increased inflation.

The Government is now making another attempt at a more comprehensive implementation of the programme. It is proposing a model of inflation accounting, which should produce realistic figures, present real and not fictitious values.

The Government would allow more companies to go bankrupt. It intends to curb domestic demand and support exports. It will insist on efficiency, productivity, and financial discipline. It has the backing of such leading bodies as the state presidency and the Central Committee of the ruling League of Communists.

In view of past experiences, that is not enough to guarantee success, as forces in republics and part of the economy which stand to lose will try to sabotage reforms as they have done so often in the past.

Government efforts have been also directed towards encouraging small businesses, to try to broaden the range of goods and services offered, compete with big but inefficient firms, speed up innovations, and create jobs for more than a million unemployed, or rather job seekers, many of whom are rather choosy in accepting work. Special attention will be paid to attracting capital and expertise of Yugoslavs working abroad.

Another item very high on the government's agenda is to attract foreign capital. The joint venture and other related legislation has been changed and amended several times in the last two years, and the government has been determined to introduce new changes in order to meet the requirements of foreign investors.

That is good and bad at the same time. While more and more foreign companies are interested in investing in Yugoslavia, an increasing number have been complaining about too many and too rapid changes in legislation.

Whereas in 1984 only 14 joint venture agreements were registered, in 1985 and 1986, after new legislation was passed, there were 82 such agreements. Seven are in process of examination for approval.

More changes will be made in the legislation in the near future. The joint venture law will be amended to improve possibilities for exports and imports, for borrowing abroad, for transfer of profit, and for paying the foreign partner in kind — now possible only in agriculture and the oil industry. Also to be amended are the long-term co-operation law, transfer of technology law, banking law and property law.

While satisfied with the increase in joint venture agreements, Yugoslav authorities think there is much more scope for them. Yugoslav companies have prepared a large number of projects to offer foreign partners; 80 in industry, 41 in tourism and 17 in agriculture.

The main thrust will be to attract investments in sophisticated production, in chemical industry, genetic engineering, electronics, machine building industry, as well as in tourism and agriculture.

One problem Yugoslav industry has to cope with is energy supplies. Energy consumption per unit of production is much too high and a lot can and should be done in the field of energy conservation. New facilities will have to be built. The Federal Government is working on a programme to the year 2000. Several scenarios will be prepared, some taking into account the construction of nuclear plants, in spite of a widely-spread public hostility against them, especially after Chernobyl.

Aleksandar Lebl

Boost for furniture sales

THE FORESTRY, sawmills, furniture, and pulp and paper industries are part of one of the largest complexes in the Yugoslav economy, employing about 300,000 people and earning the country $800m a year in foreign exchange, four-fifths of it in hard currency.

Furniture is manufactured in 310 factories, with about 90,000 workers, and its annual exports total $340m.

Both export figures have been considered too low. Ambitions are to increase considerably sales abroad and to change their composition, so that less logs and timber, and more finished goods are exported. The value of furniture alone should reach $500m by 1990.

Two officials of the Chamber of Economy of Yugoslavia who are in charge of the furniture and related industries, Mr Gobko Bojic and Mr Krsta Milincic, are optimistic, although they point out the many difficulties to be overcome.

As in other industries, production facilities have to be reconstructed and modernised, with only a few new ones added, in some of the underdeveloped regions. New technologies have to be introduced, quality and design improved. Money, including foreign exchange, should not be much of a problem because the industry's exports to imports ratio is a very favourable four to one. So it could buy new equipment worth up to $100m by 1990.

That, however, would not be enough. Production costs are very high, so that Yugoslav furniture is not competitive at the present.

The crux of the matter is that the quality and design offered cannot stand serious competition and depress prices. Recently, Yugoslav companies exporting to the US have started hiring American designers, and that practice may spread. There has also been some improvement in the quality of components.

That, and export promotion, expertise and marketing and similar tools should enable Yugoslav furniture manufacturers and exporters to reach their goal, which is to increase sales by 50 per cent in four years.

A.L.

Shipyard profit low

THE VALUE of ships to be delivered by Yugoslavia's shipyards by the end of 1989 exceeds US$1bn and no new orders for ships over 20,000 grt for delivery over the next two years can be accepted by the five major maritime shipyards of the country, based in Pula, Rijeka, Kraljevica, Trogir and Split. In short, the world shipbuilding crisis has affected Yugoslavia much less than most of its European competitors.

Prices are such that the yards cannot make much profit. But it is considered more important to have capacities and manpower employed and not to have losses. Shipowners obviously consider prices reasonable for the quality of the ships built. Most are built to owners' design and specification.

Contrary to the widely held belief that Yugoslav shipyards are overdependent on Soviet orders, Sudoimport, the Soviet trading organisation which places orders for various shippers, is not always the biggest buyer.

According to the Norwegian embassy in Belgrade, its shipowners have a total of 11 ships ordered in the five shipyards for delivery in 1987-89. That includes four 140,000 grt, one 83,700 and two 40,000 grt tankers, and two 100,000 grt bulk carriers, valued at $237m. Sudoimport has ordered 25 ships totalling 280,030 grt for delivery between 1986 and 1989, including 12 product carriers of 16,200 grt each.

Yugoslav shipyards export some 95 per cent of the tonnage they build, and deliver only a fraction to Yugoslav shippers. The reason is that they cannot offer the same favourable credit and other conditions to local buyers as they do to foreign shipping companies, thanks to the support from the Yugoslav Bank for International Economic Co-operation (Yugoslavia's export credits bank). That problem has some chance of being resolved soon, but meanwhile, Yugoslav companies themselves buy ships from foreign shipyards, or second hand.

A.L.

Food exports fall

YUGOSLAVIA HAS been a food exporter for decades. In the early fifties food exports accounted for some 40 per cent of total exports. With industrialisation it has been falling and it is now some 13 per cent to 14 per cent of the total. That has been a normal process and nothing to worry about. What is worrying, however, is that the value of those exports has been decreasing in recent years. While it was about $1.27bn in 1984, it was only $1bn last year, and will be even less this year.

Part of the explanation is in the general fall in agricultural prices in the world in the last several years. The price of one of the main Yugoslav exports, maize, has been halved as it sells now at $70 per tonne. It is also true that there has been growing protectionism almost everywhere for agricultural produce.

While all that is true, it has also been clear that Yugoslavs have not been doing all they could to promote their food exports. At times it seems as if they were resigned to the fact that there is little they could do.

The competitive position of Yugoslav food products has been deteriorating. Production costs are high. More money would be required for export incentives but that is also true of other products, and the overall amount for that purpose does not suffice. To take the case of maize, the domestic guaranteed price is dinars 56,700 per tonne, which is equivalent to $120. Thus each tonne exported would have to be subsidised to the tune of $50 per tonne.

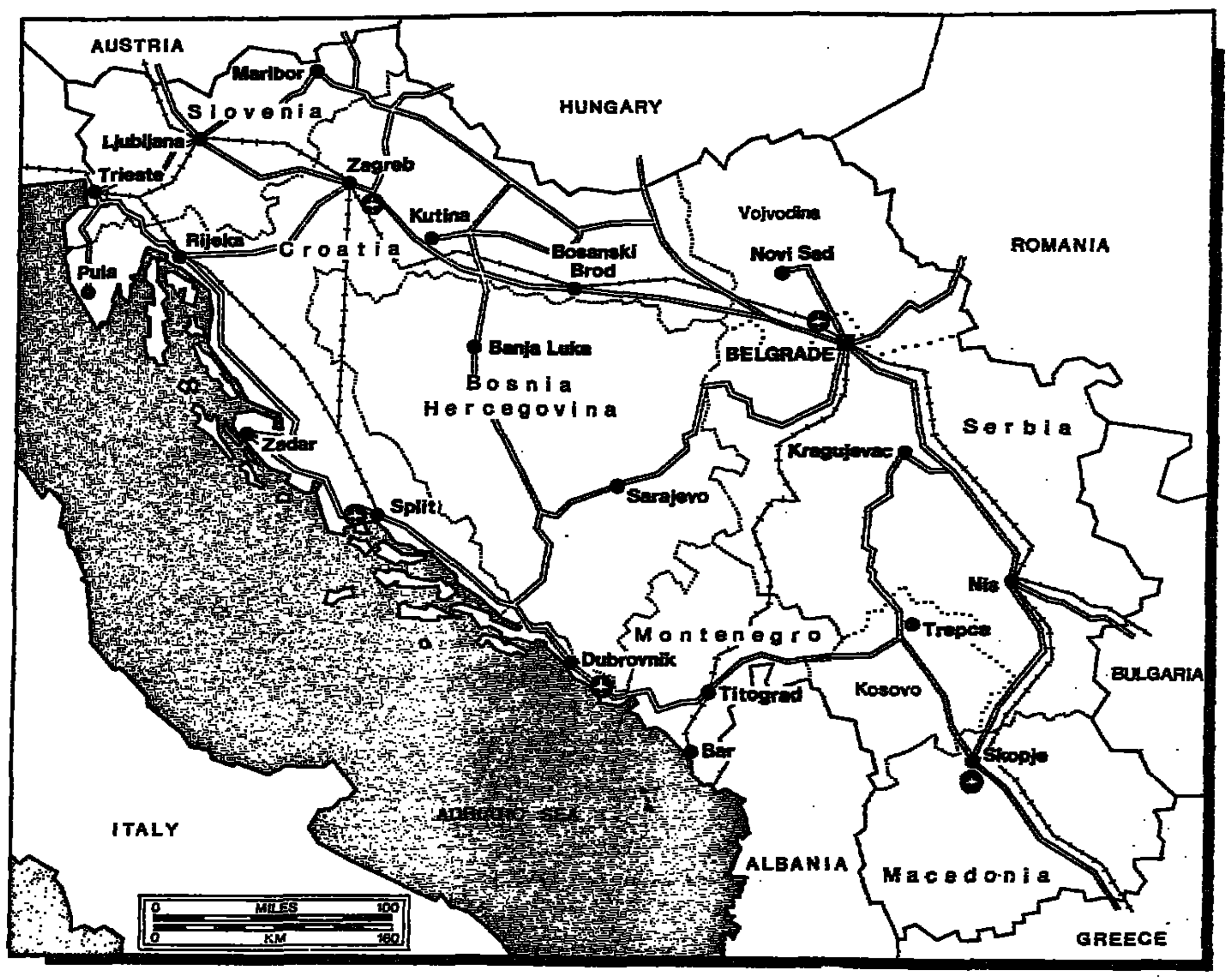
Not enough has been done in marketing quality products like food or wines, although the country has many specialities and quite a few high quality wines. There is no Yugoslav product well known in the world, like similar products from many other countries, including some neighbouring ones like Hungary or Bulgaria. Awareness, however, has been growing with food and wine producers, as in other industries, that it is not enough to have a good product but that it has to be promoted and that in the modern world, marketing is as important as producing.

For the promotion of agricultural products several so-called funds have been established: for vegetables, cereals, hop, fish, sugar and tobacco. They receive support from the federal budget, which in fact channels part of customs duties to them.

That, and money they get from producers, exporters and others should help exporting. Sophisticated marketing methods are something that will be learned gradually, in some cases with the assistance of international organisations.

A.L.

YUGOSLAVIA: Trade & Industry 4



Tourism

Surge in joint ventures

TOURISM IS one of the few areas where Yugoslav optimism appears to be matched by foreign enthusiasm on the part of both consumers and prospective investors. Although the Chernobyl disaster put a damper on trade in May and early June and its effects were felt well into July, figures for the first nine months of this year show a 9.5 per cent increase over the same 1985 period.

Tourist authorities expect the year to end with officially registered foreign exchange earnings from tourism of $1.3bn, 25 per cent more than in 1985. That includes effects of the dollar devaluation vis-a-vis such European currencies as the Deutsche Mark. German tourists account for some 40 per cent of the total.

Actual earnings will be even higher, perhaps by 50 per cent, as there has been much of the so-called "private clearing" in which foreign tourists pay for their rooms and food in the private sector by foreign currency or dinars taken abroad by the Yugoslavs and bought by foreign tourists at slightly better exchange rate than the official one.

It is not clear to what extent inflation may offset the impact of changes in the law on joint ventures effected or currently under consideration. These include relaxation of controls on foreign management and of the rules for repatriation of profits. However, the tourist authorities who are looking for foreign partners for their billion dollar development programmes — for projects including new hotels, marinas and winter sports facilities — report a high level of interest with several major projects being negotiated.

Most foreign interest still appears to be concentrated on the Dalmatian coast, but there are also plans for new hotels in several of the regional centres, not to mention plans for a new $10m hotel in Belgrade.

The Ministry (Federal Committee) of Tourism has ambitious plans for further development over the medium term (to 1990) and the longer term (to 2000). The first phase, a $1.2bn programme, aims to boost the number of tourist beds by 135,000 (85,000 in hotels and motels, the rest in camps, pensions and upgraded private accommodation) generating 90,000 jobs and earnings estimated at $3.2bn.

Over the longer term, there are to be eight separate programmes covering further upgrading of existing accommodation, more hotels and leisure complexes, new roads, health resorts and spas, winter sports centres, marinas and yachting facilities, development of tourist facilities in the main cities, and a boost to the small private business sector including restaurants, cafes and pensions.

"The general economic situation is not a hindrance to tourism," insists Mr Miodrag Mirovic, the federal minister. "The rate of profit in Yugoslavia is almost as good as anywhere in the world. Sometimes foreign investors are sceptical, but that's because they don't know enough about us. They think because we're socialist it's not safe to invest here. But we are one of the safest places in the world. We have always paid up on time."

Mr Mirovic concedes that efforts to promote the country's tourist facilities abroad are not all they might be, but his plans to change this do not match up to his plans for development of facilities within the country. "We're not satisfied with promotion so far, it's not aggressive enough," he says.

"In fact we have drafted the text of a new law on promotion overseas, which is to be considered next month." He adds that reliance on the hotel chains and big tour operators has proved to be a good way of promotion in the past, and that beyond legislative changes, nothing much further is envisaged.

In one area, winter sports, some of the largest Yugoslav trading firms like Genex and Inex have discovered a promising business and have started investing considerable sums. Genex has been developing the Kopaonik mountains less than 100 miles south of Belgrade, with 44km of ski tracks, while Inex has been concentrating on the Sara mountains whose northern slopes are in Kosovo.

In both places many new hotels and much infrastructure have been built. While transport for individual foreign visitors is complicated, it is hoped that charter flights to airports not too far from the mountains will bring larger groups from various European and other countries.

After the 1984 winter Olympic Games Sarajevo founded a specialised organisation Zoiltours to exploit facilities constructed for the games. They are minutes from the centre of Sarajevo and the access is easy. There are numerous hotels, and skiing is not the only thing the city has to offer.

There have been several new developments in the field of tourism. Foreigners, who cannot own real estate in Yugoslavia, are now able to take up time-sharing in tourist facilities. The Government has also decided to encourage the opening of duty free shops at border crossings and elsewhere, in five and four star hotels, and in marinas.

So far some 200 such shops have been opened and the figure could reach 400 to 500 eventually.

Margaret van Hattem and Aleksandar Lebl

Business Guide

THE SOCIALIST Federal Republic of Yugoslavia comprises six socialist republics: Bosnia and Hercegovina, Croatia, Macedonia, Montenegro, Serbia (including two socialist autonomous provinces, Kosovo and Vojvodina) and Slovenia.

Clockwise its neighbours from the North West are Italy, Austria, Hungary, Romania, Bulgaria, Greece and Albania. The population is about 23.3m.

Serbo-Croatian is the official language in all republics except Macedonia and Slovenia where, respectively, Macedonian and Slovene (both southern Slav languages) are used. Albanian and Hungarian are both officially used in some areas, two or more languages may be officially used in autonomous provinces and communes with mixed populations.

Among foreign languages, English is the most widely used, followed by German and French. A translation service can usually be arranged through hotels, tourist offices or local enterprises.

Federal holidays are January 1 and 2, May 1 and 2, July 4 and November 29 and 30. Should one of those fall on a Sunday, the following Monday is a holiday. In addition, each republic has its own one-day holiday.

The Yugoslav currency is the dinar, officially valued on December 4 1986 at 438 to the US$ and 628 to the pound sterling. Inflation in November 1986 stood at 93.4 per cent. Black market premiums on hard currency are usually between five and 10 per cent.

Cash and cheques can be exchanged at the many exchange offices in banks, hotels and post offices, subject to a three per cent commission. Most credit cards are widely accepted.

Cars can be hired in most main towns through Yugoslav travel agencies. Major international car hire firms include Avis in Belgrade, Europcar in Sarajevo, Hertz in Belgrade, and Inter Rent in Ljubljana.

The basic working week is 42 hours. Most businesses and offices, including government offices, are open between 7 am and 3 pm, some staying open till 5 pm on Wednesdays. Shops have staggered hours, some closing at noon and re-opening in the afternoon between 5 and 8.

Shops and banks close early on Saturdays.

Direct dialling is available on phone calls to and from most European countries and some others. The code for Yugoslavia is 38, followed by 11 for Belgrade, 41 for Zagreb, 61 for Ljubljana, 71 for Sarajevo and 91 for Skopje.

Most Yugoslav companies, banks and hotels have telex facilities.

Aleksandar Lebl

هكذا من الأصل

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE No. 6,204

QUARK

ACROSS

1 Cover rails in special way in Church for seasonal worship (5,7)
10 Corny expression for "not like Father Christmas"? (7)
11 Latin power's about for a long time. Shows guts! (7)
12 Fire returned about one ruler (5)
13 Managed one month to follow head of traditional Church wing (8)
15 Heavyweight in comeback goes to Harry? (Don't get bothered) (3,2,5)
16 Part of plant was temporarily closed (Only part of plant) (4)
18 Does up the Christmas presents? (4)
20 The preserve of travellers? (7,3)
22 Traditional drinks are a sell out (4,4)
24 Some of the older reserves when returning made a mistake (5)
26 Takes meal in pub? A T.T. 'ouse? Not so! (4,3)
27 Pinch grain (7)
28 Present offering (9,3)

DOWN

2 Girl, upper-class, has permit for small ring (7)
3 Liquid outlet for those outside main meeting (8)
4 Reasonable plea for help gets round (2-2)
5 You shouldn't be at sea with these pliers (10)
6 His offerings included a Doll's House (5)
7 Steve somehow goes round about the mountain (7)
8 Discussing business at this time of year? (7,6)
9 Character dragged up at this time of year? (9,4)
14 Part of dish served up for guest, etc. (not strong) (10)
17 I made Les tipsy—on these drinks? (8)
19 Supporters sometimes are variable (7)
21 Place associated with the fall (7)
22 Secret affair—American, associated with us? (5)
25 I'm a leader of mosque (4)

Solution to puzzle No. 6,203

AUTHORISED UNIT TRUST & INSURANCES

American Life Insurance Co UK
2 8 Altyre Road Croydon CR9 2LG 01-680 7181

Alpha Range—Life

Managed Acc	95.5	100.5	
American Acc	100.2	105.5	-0.7
[illegible] Acc	99.6	104.9	
European Acc	110.9	116.7	-0.5
Far Eastern Acc	113.8	119.8	-0.4
Fixed Interest Acc	84.1	88.5	+1.2
International Acc	109.1	114.8	-0.5
Property Acc	125.6	[illegible]	+2.5
UK Equity Acc	93.3	98.2	-0.1

Alpha Range—Pensions

Managed Acc	98.0	103.1	

Premier Range

Managed Acc—Life	107.8	113.5	-0.4
Managed Acc—Pension	109.5	[illegible]	-0.5

Other unit prices available from American Life

Baltic Assurance Funds
20, Chiswell St, London, EC1Y 4TY 01-374 6801

Managed Growth	255.41	268.85	-0.37	—
Managed Income	118.30	124.53	-0.26	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond	356.1	374.9	-0.5	—
Managed Accum	301.9	317.8	-0.4	—
Equity Accum	438.0	461.1	+3.2	—
Property Accum	207.4	218.3		—
International Accum	274.1	288.6	-2.9	—
Gilt-edged Accum	197.1	207.5	+0.8	—
Money Accum	176.6	185.9		—
American Accum	179.8	189.3	-1.8	—
Australia Accum	163.8	172.5	-0.9	—
Financial Accum	263.3	277.2	+2.1	—
"500" Accum	221.2	232.9	+0.6	—
European Growth Accum	145.3	153.0	-0.5	—
Income Accum	242.6	255.4	+3.6	—
Japan & Gen Accum	323.0	340.0	-4.2	—
Leisure Accum	148.8	156.7	-0.5	—
Spec. Sits Fd Accum	123.1	129.6	-0.6	—
Universal Tec Accum	109.1	114.9	-1.2	—
Managed Pns Accum	404.7	426.1		—
Equity Pns Accum	147.7	155.5	+0.4	—
Intl Pns Accum	154.5	162.7	-1.3	—
Gilt-edged Pns Accum	281.4	296.3	+0.8	—
Money Pns Accum	256.9	270.5		—
Property Pns Accum	107.4	113.1		—

For prices of Initial Units phone 01-534 5544.

Black Horse Life Ass. Co Ltd
346a High St, Chatham 0634 405161

Black Horse Man Fd		365.86	+5.29	—
Income Fd	334.67	352.29	+3.90	—
Extra Income Fd	318.71	335.57	+3.96	—
Worldwide Growth Fd	333.62	351.55	+0.55	—
Balanced Fd	295.45	311.01	+5.30	—
Small Co's & Recvy Fd	364.23	383.19	+2.53	—
Int. Technology Fd	330.74	349.35	+3.6	—
4th Amer & Gen. Fd	207.07	217.95	-1.45	—

Cornhill Insurance PLC
57 Ladymead Guildford 0483 68161

Equity Fd A&B Dec 10	258.5	272.9		
Fixed Int A&B Dec 10	164.0	173.0		
Mr Grwth A&B Dec 10	531.0	559.0		
Money Fd A&B Dec 10	142.5	150.5		
Cap Fd A&B Nov 15		400.0		
G&S Spc Fd A&B Nov 15		166.0		
Far East A&B Dec 10	187.5	197.5		—
N Amer Fd A&B Dec 10	106.0	112.0		—
Int Fd A&B Dec 10	155.5	164.0		—
Property A&B Dec 10	197.5	208.0		—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds

UK Equity	142.6	150.0	-0.1	—
American Equity	124.6	131.4	—	—
Far East Equity	171.4	180.8	—	—
Managed Fund Acc	371.0	391.0	—	—
International Equity	189.2	199.6		
Gilt Equity	181.0	190.9		
Money Fund	144.8	152.7	+0.1	
CCL Henderson	162.1	171.0	—	—
CCL Perpetual	204.0	215.2	—	—
CCL Property	229.5	242.1	—	—
Smaller Cos	254.0	267.9	—	—
Perpetual Eurogrowth	117.2	123.6	—	—
CCL Hend'son Prime Ret	97.6	102.9	—	—

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63281

Ultimate Mngd Fund	173.0	182.2	—	—
Criterion Mngd Fund	166.1	174.8	—	—
Pension Mngd Cap	52.4	55.2	—	—
Pension Mngd Acc	61.8	65.1	—	—
Pension G'nteed Dep Ac	34.7	36.5	—	—

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

Life Funds

American Acc	101.0	106.3	—	—
Equity Acc	378.4	398.3	—	—
European Acc	184.5	194.2	—	—
Fixed Interest Acc	212.6	223.7	—	—
High Income Acc	360.5	379.4	—	—
Intl. Acc	347.6	365.8	—	—
Inv. Trust Acc	417.5	439.4	—	—
Japanese Acc	168.4	177.2	—	—
Managed Acc	314.5	331.0	—	—
Money Acc	179.7	189.1	—	—
Property Acc	186.5	196.3	—	—

Individual Pension Funds(t)

American	117.3	123.4	—	—
Equity	383.5	403.6	—	—
European	262.6	276.2	—	—

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY

General Portfolio Life Ins. Plc
Crossbrook St, Cheshunt, Herts

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	10.74	8.03	11.80	3-mth
CAFCASH 7-day Fund	10.70	7.99	11.75	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.70 (11.14CAR)			3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.74	8.03	11.72	6mth
7-day Fnd	10.70	8.00	11.68	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.40	7.77	11.15	6-Mth
7-day Fund	10.39	7.77	11.15	6-Mth
Dollar	4.75	3.55	5.07	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	10.25	7.50	10.86	Qtr
Aitken Hume				
30 City Road EC1Y 2AY 01-638 6070				
Treasury Acc.	10.25	7.66	11.10	Qtr
MoneyChq £1000-£5000	10.00	7.48	10.90	Mth
Mon Int Chq £5 000+	10.25	7.66	11.18	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London. EC4N 5AD 01-283 9111				
High Int. Cheque Acc.	11.00	8.25	12.03	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH 01-628 8060				
Money Mkt Cheque Acc.	10.25	7.66	11.18	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int Cheque	10.00	7.50	10.86	Qtr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	10.25	7.66	11.16	Mth
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2R 7HE 01-606 9833				
Demand Acc	10.50	7.85	11.38	Qtr.
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH 01-248 4000				
Sterling	10.375	7.78	11.32	Mth
U.S. Dollar	5.375	4.03	5.76	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss francs	1.00	0.75	1.06	Mth
Japanese Yen	3.50	2.62	3.73	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove 01-581 1422				
Money Market Plus	Top rate	7.65	11.37	Mth
For other rates please 'phone our Rateline 01-581 0629				
Co-operative Bank Cheque & Save				
78-80 Cornhill EC3 01-626 6543				
£500-£2,500	7.38	5.50	7.92	Qtr
£2,500 +	10.38	7.75	11.24	Qtr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	10.625	7.94	11.52	Qtr
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	10.25	7.66	11.18	Mth
Legal & General (Money Mngrs) Ltd				
365 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	10.90	8.15	11.70	6-mth
Lloyds Bank PLC				
71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Acc	10.50	7.75	11.16	[illegible]
Lombard North Central PLC				
17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	10.37	7.75	10.90	[illegible]
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	10.12	7.56	11.09	[illegible]
Midland Bank plc				
PO Box 2, Sheffield. 0742 [illegible]				
High Int Chq Acc	9.97	7.45	10.[illegible]	[illegible]
£10,000 +	10.30	7.70	11.[illegible]	[illegible]
M.I.M. Britannia Ltd				
74-78 Finsbury Pavement, EC2A 1JD 01 588 [illegible]				
Cater Allen	10.13	7.57	11.0379	
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	10.25	7.625	11.05	Qr
£10,000 and above	10.375	7.75	11.24	Qr
Oppenheimer Money Mgmnt Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acc.	10.25	7.66	11.11	3-Mth

NOTES

TRADITIONAL OPTIONS

3-month call rates

Opec defers discussion of oil production cut

BY RICHARD JOHNS IN GENEVA

THE ORGANISATION of Petroleum Exporting Countries met again last night in full Ministerial session for the first time since Saturday to discuss the setting of price differentials around a central reference of $18 per barrel.

Talks on the critical question of a production cut was deferred, apparently because Mr assim Taki, Iraq's Minister of Oil, had to consult with his head of state, President Saddam Hussein.

Earlier he had confirmed to reporters that his brief only permitted him to agree a production quota if it was raised to equal that of Iran. Otherwise Iraq says it must continue to be exempted from any production sharing system. Delegates suggested that a deadlock might possibly be resolved if Iraq were to make a pledge of "voluntary restraint." Iraq had a quota of 1.2m barrels a day under the Opec accord of October 1984 which set a ceiling of 16m b/d, the level which the majority of members feel is necessary if they are to declare a fixed average price of $18 per barrel, as King Fahd of Saudi Arabia has demanded.

Iran is said to have suggested that its enemy should be allowed 1.6m b/d, plus 300,000 b/d of "war relief crude" marketed on its behalf as a form of financial aid by Saudi Arabia and Kuwait. Mr Taki was absent from last night's full session but was represented by his deputy, Dr Ramzi Salman. It seems that the Iraqi chief delegate had been under pressure from Mr Hisham Nazer, the acting Saudi Oil Minister, during intensive and secretive talks before yesterday's meeting on the fourth day of this conference.

Saudi Arabia has proposed a cut in collective output of 7.2 per cent or about 1.6m b/d. Opec's experts believe this

Mr Hisham Nazer . . . seeking a comprehensive agreement

would be sufficient to raise prices to the desired $18 per barrel.

However, apart from Iraq, three other countries, Gabon, Equador and Qatar, are asking to be exempted from the agreement to cut production.

Saudi Arabia has said that it is only prepared to bring down its own ouput if all other members agree to share the burden.

In these circumstances it was difficult yesterday to give much credence to the optimism expressed by several chief delegates in snatched lobby exchanges.

Whatever accord on production restraint is reached—and it will probably be an untidy one—the conference is likely to last until towards the end of the week, because of the technical difficulties in reaching an accord on price differentials.

It was clear that Mr Nazer's instructions from King Fahad left him no choice but to reach comprehensive agreement on fixed prices for different crudes produced by members. The oil industry and traders, however, are almost unanimous that any such attempt to re-establish a system of fixed prices is doomed to failure and will only encourage "cheating" or non-observance of quotas, thereby eroding prices. It is a view shared by at least one prominent delegation here.

Opec experts calculate that demand for member states for crude in the first quarter of 1987 will be around 17.1m b/d after taking account of inventory draw-down of about 1.5m b/d.

The 7.2 per cent cut proposed by Saudi Arabia is said to be based on the assumption that collective output has been running at about this level—though in fact it has probably been somewhat higher in a range of 17.3m to 17.5m b/d.

Brent crude trades above $16

BY LUCY KELLAWAY

THE PRICE of Brent crude oil rose above $16 yesterday, for the first time since it collapsed in the spring, encouraged by the expectation that an agreement on production cuts would be reached at the Opec meeting in Geneva.

In London, Brent for delivery in February traded as high as $16.35, about 55 cents higher than Friday's close, and about $2 higher than a week ago.

The movement on the New York Mercantile Exchange was more muted with West Texas Intermediate only 30 cents higher by mid afternoon, while the spread between the two crudes narrowed from a normal level of about 70 cents to about 25 cents.

The fact that Brent and WTI moved out of line was yesterday taken as a sign of the general confusion in the market place. Late yesterday afternoon trading was thrown into confusion by three reports in the space of half an hour which said, respectively, that agreement had been reached on production cuts; that no agreement had been made; and that the meeting had been adjourned.

"This is one of the most confused markets I've seen in a long time," said Mr Peter Beutel, energy analyst at Elders Futures in New York.

In London the mood was more positive, with most traders bargaining on lower output from Opec next year, and talking about a move in prices towards $18. However, some traders remained sceptical. "I've seen it all before—it never works out the way they think," one commented.

The increased optimism has brought with it much higher volumes. Yesterday and on Friday the daily turnover was more than 20 cargoes in the Brent market, about twice the average volume over the past month, when daily turnover has sometimes been as low as six or seven trades.

The sharp movement over the past two days in the crude market yesterday spilled over into the products market. On the International Petroleum Exchange in London gasoil futures rose by $5.75 a tonne to $139, the highest price since September.

EEC farm marathon continues

BY TIM DICKSON IN BRUSSELS

MR MICHAEL JOPLING was last night holding to his promise to keep Europe's Farm Ministers talking until they reach agreement on Common Agricultural Policy reform.

At the end of the sixth day of what has already become one of the longest-ever meetings outside the annual farm price negotiations, the UK's Agricultural Minister was still desperately searching for a new compromise to cut the Community's spiralling beef and butter surpluses.

Three new developments emerged yesterday to complicate further what is already a perplexing set of negotiations.

Mr Austin Deasy, the Irish Farm Minister, was openly threatening to veto to the latest Commission compromise unless significant changes were made to soften the impact on Ireland. Mr Deasy, whose Government is facing an almost certain general election in the New Year, said the beef and dairy sectors were not only important to Irish agriculture, but vital to the Irish economy as a whole.

The latest Commission compromise, which was presented to red-eyed Ministers at 6 am yesterday, contained a number of new elements—notably the withdrawal of a proposal to pay beef farmers an annual premium.

The so-called slaughter premium, payable in Britain, would remain under the latest proposals.

Finally the Commission brought back into the package the sensitive issue of green currency devaluations. Ministers have so far been unwilling to approve such devaluations on British and French beef and lamb but the new proposals—implying slightly more generous domestic farm price increases in the countries concerned than originally envisaged—could well prove an important bargaining chip, particularly with the French.

Mr Jopling was last night involved in a new series of bilateral negotiations with his colleagues in a bid to try to iron out difficulties over the latest Commission compromise. This again sets a target of a 9.5 per cent cut in milk production over the next two years with milk quota cuts achieved through a combination of applying the existing voluntary cessation scheme with compensation of Ecu 6 per 100 kg and temporary cuts in quota with compensation of up to Ecu 12.5 per 100 kg.

'Big five' plan grain crisis meeting

By Richard Mooney

THE WORLD'S "big five" grain exporters are to make another attempt to end the "trade war" betwen the US and the EEC and the resulting slide in market prices for cereals.

Agriculture Ministers from the US, Canada, Australia, and Argentina and the EEC's Agriculture Commissioner are expected to attend a two-day crisis meeting in San Diego, California, in February, according to officials of the London-based International Wheat Council (IWC).

The group, which accounts for about 95 per cent of world wheat trade last met in Whistler, British Colombia, in June. No progress was recorded on that occasion, and since then the situation has deteriorated.

Trade tensions between the US and the EEC have been heightened by a dispute over access for US maize to Spain following that country's accession into the Community, and the 1986-87 Soviet grain crop now appears to be much bigger than had been anticipated, adding to the pressure on prices.

The bigger Soviet crop—now put at 210m tonnes against 192m tonnes in 1985-86—resulted in the IWC lifting its world harvest forecast by 12m tonnes to a record 1.38bn tonnes in the market report it issued last week. The report reduced the forecast of Soviet imports by a relatively modest 5m tonnes to 24m but an IWC official said yesterday that this figure was likely to cut further, possibly to around 20m tonnes, in the next report.

The Soviets appeared to have learned the lesson of past mistakes, the official said, and were concentrating more on improving yields rather than simply stepping up sowings as in the past. Post harvest losses were still "unacceptably high," he said, but progress was being made on that front too.

He described last week's IWC council meeting as "relatively harmonious," with exporters showing more interest in cooperation. Hopes for a "cease fire" in the grain trade war seemed to have improved slightly, he said.

He also noted that, while developing countries in general welcomed prevailing price levels, export competition and easy credit facilities, some of the more sophisticated recognised the danger that future cutbacks in grain availability might result from current below-cost price levels.

Some countries had indicated their intention to reduce their dependence on external supplies of food grains by encouraging domestic production, the official said. But those with expanding livestock industries would probably import increasing amounts of grain.

LONDON METAL ECHANGE WAREHOUSE STOCK

(Changes during week ending last Friday)

	(tonnes)
Aluminium	−5,325 to 112,450
Copper	−25 to 179,100
Lead	−1,125 to 32,900
Nickel	+360 to 7,326
Tin	−495 to 40,000
Zinc	−375 to 17,100
	(ounces)
Silver	−120,000 to 23,208,000

LONDON MARKETS

NICKEL prices fell for the fifth successive trading day on the London Metal Exchange. The £10 fall in the cash position to £2,482.50 a tonne took the aggregate decline to £60. Dealers said the metal ended the afternoon firmer following a spate of consumer short covering and speculative bargain-hunting, but this was insufficient to turn the market round and they thought further falls might be imminent. Among the soft commodities cocoa and coffee prices continued to move lower, though by very modest amounts. Sugar was in sharp retreat in the afternoon as technical and chart factors pushed the nearby positions down by about $7 a tonne. Dealers said the late move mirrored the tone in the New York markets which was also responding to chart factors. Long liquidation and stop-loss selling were also featured in the London market falls, they added.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	791-2	−9.5	795.5/794.5
3 months	805.5-6	−4.5	807.5/805.5

Official closing (am): Cash 794-5 (800-1), three months 806-7 (810-10.5), settlement 795 (801). Final Kerb close: 805.5-6. Turnover: 7,350 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/Low
Cash	932-3	+1	932.5/932
3 months	951.5-2	+1	958/947

Official closing (am): Cash 932-2.5 (933-3.5), three months 950-50.5 (952-2.5), settlement 932.5 (933.5). Final

INDICES

REUTERS

Dec. 15	Dec. 12	M'th ago	Year ago
1637.3	1638.2	1606.1	1773.9

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 12	Dec. 11	M'th ago	Year ago
Spot	117.13	117.09	—	122.46
Fut	116.37	116.46	—	125.67

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 15 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1215/235	+5	$1225/245
Copper			
Cash Grade A	£932.5	+1	£911.5
3 mths	£951.75	+1	£935.25
Gold Troy oz	$394.25	+4	$407.25
Lead Cash	£359.5	−6.5	£329.5
3 mths	£325.25	−3.5	£322.25
Nickel			
Free Mkt	161/181c	+1	164/184c
Palladium oz	$118.25	+0.85	$126.40
Platinum oz	$496.25	+16.25	$530.00
Quicksilver†	$155/165		$156/170
Silver troy oz	379.80p	+3.20	407.05p
3 mths	389.70p	+3.60	417.550
Tin			
free Mkt	£4380/420	−10	£4520/550
Tungsten	$47. 64		$46.98
Wolfram 22.0lb	$32/42		$32/42
Zinc	£540.5	−3.5	£578.5
3 mths	£537.25	−125	£560.5
producers	$878		$920
OILS			
Coconut (Phil)	$385z		$350
Palm Malayan	$275u	−7.5	$320
Copra (Phil)	$350		$255
Soyabean (U.S.)	$146	−2	$154
GRAINS			
Barley Fut. Mar.	£114.05	+0.15	£111.55
Maize	£143.50		£143.05
Wheat Fut. Mar.	£112.75	+0.85	£110.60
No. 2 Hard Wint.	z		z
OTHERS			
Cocoa Ft. Mar.	£1436	−6	£1619.5
Coffee Ft. Mar.	£1785.5	−6.5	£2172.5
Cotton A Ind.*	59.85c	+0.55	53.10c
Gas Oil Feb.	$139	+5.5	$133.75
Rubber (kilo)	64.5p	+0.75	65.25p
Sugar (raw)	$152x	+2	$155
Wooltops 64s	427p kilo	+2	435p kilo

COFFEE

Robusta futures moved in a narrow range throughout a quiet session,

US MARKETS

COFFEE FUTURES fluctuated in a well worn range as the market settled back to await the Brazilian 1987 pricing policy, which may be delayed until Friday or next week, reports Heinold. Brazil's new coffee council, of which the Brazilian Coffee Institute is to become the executive arm, is to be inaugurated on Friday. The March contract reached slightly under last Friday's 139.60c low, but encountered trade support. However, gains towards the 141.50c level have been met with trade selling. Sugar stayed under pressure, after cutting through the low end of a recent trading range of 6.45c in the March delivery. Commission houses were major sellers and trade houses scale-down buyers. The energy complex registered further gains with January crude oil up to $16.60. A new output formula, with overall reductions of between 5 and 10 per cent has given the market a stronger undertone. Traders are still awaiting further news from the Opec meeting.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	49.90	—	—	49.95
Jan	50.10	—	—	50.15
Feb	50.40	—	—	50.45
March	50.70	50.75	50.70	50.75
May	50.90	50.70	50.70	50.95
July	51.10	—	—	51.15
Sept	51.30	—	—	51.35
Dec	51.45	—	—	51.50
Jan	51.65	—	—	51.70
March	51.75	—	—	51.80

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1808	—	1829	1820
March	1869	1972	1854	1861
May	1887	1902	1885	1891
July	1910	1917	1910	1915
Sept	1934	1940	1930	1935
Dec	1958	1965	1955	1960
March	1980	—	—	1981

Worrying times for the livestock sector

FARMER'S VIEWPOINT

By John Cherrington

MR MICHAEL JOPLING, Britain's Agriculture Minister, was given a pretty rough ride at the Smithfield show earlier this month by angry livestock farmers who felt they were getting the short end of the stick in terms of prices, especially in comparison with their Irish competitors.

What they were demanding was a devaluation of the "green pound"—the artificial exchange rate at which EEC farm support levels are translated into sterling—by about 6 per cent to counteract the advantage gained by the Irish when their "green punt" was devalued in September. Failing that they threatened direct action at the ports to prevent imports of Irish beef.

Such a devaluation could form part of the package emerging from the current deliberations of the Council of Agriculture Ministers in Brussels.

Apart from wiping out the Irish advantage, calculated by Britain's National Farmers' Union at about £34 per head of cattle, it would assist UK exports of cow beef to Europe and also raise intervention and target prices in sterling terms.

The Irish are keeping a low profile at the moment, but it does appear that for the last few weeks there has been a marked increase in Irish beef imports and a weakening of British prices. The real difficulty appears to be in the cow-beef sector. Compared with last year the trade for pure bred beef animals is only marginally down.

But even if this question is resolved, the whole of the beef industry is exposed to another threat; that from the ban on hormone growth regulators, which was imposed by the EEC on December 1. These substances are used throughout the world, and although no harmful effects have yet been proved to have occurred in man from eating meat produced with their assistance EEC consumer resistance has succeeded in achieving the ban.

Their use on growing cattle enables them to make better use of feed and the carcases will mature, or become fit for slaughter, much sooner than they would on the same feed without them. This is particularly true of dairy cows, which form a very important element of the beef trade, particularly on the continent.

There are two sources of beef cattle: from dairy herds, and from dams of the pure beef breeds. In general it can be said that the pure dairy breeds do not make good conventional beef carcases and, even when crossed with some of the beef breeds, the resultant calves will not perform as well as pure bred beef animals. But many of these crosses, particularly with some of the continental breeds, such as the Charolais in their make up, will grow extremely quickly and make a much heavier carcase with the help of hormones.

Without hormones many farmers would find it difficult to produce beef at a profit at present prices. For this, however, there is another factor to be blamed. The beef animal is the most inefficient converter of feed into flesh in the farm yard. The best example is to compare it with a sheep. A breeding ewe will in the course of a year produce her own weight in lambs. A breeding cow, even of a beef breed would do well to get one calf of half her weight over the same period.

One of the reasons that beef is mainly a by-product of dairy herds is that most of the costs of keeping the cow are met by sales of milk.

A hormone ban has been in operation in several European countries for some years and there have been talks of widespread smuggling of these materials. They are freely available in the non-banning countries so it seems certain that this illicit traffic will continue. They are also widely used in the US and that country has been protesting because under the ban imports of cattle products from there will be affected.

Should the ban be strictly enforced, and I believe it will be in Britain, once existing stocks are used up, there are several alternatives. One would be a return to breeding pure beef animals such as the Aberdeen Angus or Hereford. After all, they provided the best beef long before these chemicals were ever thought of, although very expensively.

There is also a case for further research into food conversion for beef animals. It may for instance be possible to keep them longer on a lower plane of nutrition and still get them fit in the end. That may be expensive in present cost terms—but are we so sure that land and cereals prices are going to keep their present high levels for ever?

On an intensive basis there is a system of fattening calves on pure barley. This works quite well with calves which have not been castrated.

Bull beef, as it is called, is widely produced on the continent, and while some find it immature there is a market for it. However, once bulls get much beyond about 10 months old they become difficult to handle.

Any solution to the beef surplus is very dependent on the dairy sector. The latest suggestions on EEC reform stipulate the removal of about 9½ per cent of dairy production from the community. This would mean the elimination from the European herd of some 2.4m cows. Once that has been done there will be a permanent shortage of that number of calves a year, to say nothing of the reduction of cull-cow numbers. A permanent shortage of that extent would do wonders for the beef trade, and raise prices high enough to make both the beef and dairy industry viable. The time scale would be fairly long but it could really happen if the Council of Ministers and everyone else allowed it to.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar quiet, pound better

THE DOLLAR showed little change in quiet trading, but finished around the best levels of the day. Market volume continued to wind down ahead of the Christmas and New Year holiday period, and there were no new factors to affect trading. Mr James Baker, US Treasury Secretary, visited Europe at the weekend, but there was no news from his talks with financial officials in the UK, West Germany and France. The rise of 0.6 per cent in November US industrial production was in line with expectations, but was the best figure since July, and helped underpin the dollar.

The dollar rose to DM2.0180 from DM2.0515; to FFr6.6125 from FFr6.61; to SFr1.7000 from SFr1.6975; and to Y163.25 from Y163.00.

On Bank of England figures the dollar's index slipped to 111.0 from 111.3.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3760. November average 1.4258. Exchange rate index rose 0.1 to 68.8, compared with 75.8 six months ago.

Sterling's performance helped to brighten a dull day on the foreign exchanges. The pound improved in early trading, and then held steady for the rest of the day, rising ½ cent to $1.4320-1.4330. Sterling also advanced to DM2.89 from DM2.8775; to FFr9.4725 from FFr9.4350; to SFr2.4350 from SFr2.4225; and to Y233.75 from Y232.50. News from Geneva that the United Arab Emirates Oil Minister said the Organisation of Petroleum Exporting Countries has agreed oil production cuts came too late to influence trading in London. But the rise in North Sea prices on speculation about an Opec agreement gave support to the pound during the day.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9664. November average 2.0227. Exchange rate index 142.7 against 135.3 six months ago.

The D-mark showed little change against the dollar in quiet Frankfurt trading. Turnover was slow, with no significant fresh factors to influence the market. Dealers suggested that pressure will build up for a cut in West German interest rates in the New Year, possibly after Federal elections on January 25. But at present there is no sign of easier credit policy by the Bundesbank, although it was suspected the subject of lower interest rates was discussed at talks between Mr Gerhard Stoltenberg, West German Finance Minister, and Mr James Baker at the weekend. At the Frankfurt fixing the Bundesbank did not intervene when the dollar was fixed at DM 2.0143, compared with DM 2.0232 on Friday. In quiet trading attention tended to turn towards the European Monetary System, amid speculation that a realignment is likely to follow next month's West German elections.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. November average 162.77. Exchange rate index 204.7 against 207.2 six months ago.

The yen weakened against the dollar in quiet Tokyo trading. The US currency closed at Y163.25, compared with Y163.00 on Friday. Short covering gave support to the dollar, but it fell from Y163.40 on a forward selling order, in a move to hedge currency risks on foreign bonds. A rumour about further scandals involving the rebels in Nicaragua and the diversion of US funds from arms sales to Iran, added to the general reluctance of traders to take out positions ahead of the end of year holiday period. The market was also nervous of reports from Geneva that Saudi Arabia is to make production cuts aimed at pushing up world oil prices. This news added support to sterling, and led to covering of short positions in the pound.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.3466	+0.54	+1.09	± 1.5368
Danish Krone	7.81701	7.87461	+0.74	+1.29	± 1.6403
German D-Mark	2.11083	2.08382	−1.28	−0.73	± 1.1127
French Franc	6.87316	6.82949	−0.64	−0.09	± 1.3659
Dutch Guilder	2.37833	2.35524	−0.97	−0.42	± 1.5059
Irish Punt	0.764976	0.764515	−0.06	+0.49	± 1.6683
Italian Lira	1476.95	1444.54	−2.19	−1.94	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

POUND SPOT—FORWARD AGAINST THE POUND

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Dec. 15	£	$	DM	YEN	F Fr.	S Fr.
£	1	1.433	2.890	233.8	9.473	2.43
$	0.698	1	2.018	163.3	6.613	1.70
DM	0.346	0.496	1	80.88	3.278	0.84
YEN	4.278	6.128	12.36	1000.	40.52	10.4
F Fr.	1.056	1.512	3.051	246.8	10.	2.57
S Fr.	0.411	0.588	1.187	96.00	3.890	1.
H Fl.	0.306	0.439	0.885	71.59	2.901	0.74
Lira	0.500	0.716	1.445	116.8	4.735	1.21
C $	0.506	0.725	1.463	118.3	4.794	1.23
B Fr.	1.664	2.384	4.809	388.9	15.76	4.05

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts remain active

LONG TERM gilt futures weakened on the London International Financial Futures Exchange yesterday. Turnover of 16,586 was only half the recent record level, but was about three times the volume traded in the same time last year, and in the present quiet pre-holiday financial markets must be regarded as satisfactory. Trading was almost entirely confined to March delivery, which opened slightly firmer at 110-15. This proved to be the day's high however, and the contract fell to close at the day's low of 109-14, compared with 110-10 on Friday. Optimism that the Organisation of Petroleum Exporting Countries ministers meeting in Geneva would agree to oil production cuts, boosted North Sea oil prices and pushed up sterling in early trading. This led to a strong opening for long gilt futures on Liffe, but sentiment was hit by news that November UK retail sales rose by a very large 2.3 per cent, compared with expectations of around 0.2 per cent.

March three-month sterling deposit futures also opened firmer, encouraged by the improvement of the pound on the foreign exchanges, but closed around the middle of the day's range as cash rates on the money market showed only a slight decline, and gave no indication of an early cut in UK bank base rates.

US Treasury bond futures for March delivery fell to 97-31 from 98-23 following a healthy rise of 0.6 per cent in November US industrial production. Trading was nervous, awaiting further news from the Opec meeting, but the comment by the United Arab Emirates Oil Minister about agreed production cuts came too late to affect Liffe trading.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

LIFFE $/£ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

SWISS FRANC (IMM) SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Dec.	0.5883	0.5907	0.5882	0.5917
Mar.	0.5919	0.5940	0.5913	0.5948
June	0.5955	0.5970	0.5950	0.5977
Sept.	0.5998	0.5998	0.5998	0.6010

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Dec.	245.25	246.30	244.75	247.05
March	246.00	247.10	245.70	247.90
June	246.70	247.90	246.50	248.70

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

MONEY MARKETS

Oil news gives slight boost

THE MOOD remained a little more optimistic on the London money market yesterday, as sterling improved following news that the Organisation of Petroleum Exporting Countries is seeking production cuts at the Geneva ministerial meeting to push up the price of oil. Lack of comment from the weekend visit to Europe of Mr James Baker, US Treasury Secretary, and a much larger rise than expected in November UK retail sales had little or no impact. Three-month interbank eased slightly to 11$\frac{5}{16}$-11$\frac{3}{16}$ per cent from 11⅜-11¼ per cent, but the yield structure remained flat, showing no indication of an early movement in UK bank base rates.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a money market shortage of £500m initially, but revised this to £550m in the afternoon, and provided total help on the day of £599m.

Before lunch the authorities bought £340m bills outright, by way of £32m bank bills in band 1 at 10⅞ per cent; £40m bank bills in band 2 at 10$\frac{13}{16}$ per cent; £37m bank bills in band 3 at 10¾ per cent; £5m Treasury bills in band 4 at 10$\frac{11}{16}$ per cent; and £206m Bank bills in band 4 at 10$\frac{11}{16}$ per cent.

In the afternoon another £114m bills were purchased outright, through £101m bank bills in band 1 at 10⅞ per cent; £3m local authority bills in band 4 at 10$\frac{11}{16}$ per cent; and £10m bank bills in band 4 at 10$\frac{11}{16}$ per cent.

Late assistance of around £145m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £811m, and Exchequer transactions absorbed £20m, in spite of £172m in block grant paid to local authorities and a housing subsidy of £400m also paid to local authorities. These factors outweighed a fall in the note circulation adding £320m to liquidity and bank balances above target by £25m.

In Paris the Bank of France eased money market conditions as confidence returned, following volatility and nervousness last week as a result of the student riots in France. The central bank's seven-day repurchase rate was cut by ⅛ per cent to 8 per cent yesterday, and the call money rate to 8$\frac{1}{16}$-8$\frac{3}{16}$ per cent from 8¼-8⅜ per cent.

In Frankfurt call money was unchanged at 4.70 per cent. The West German Bundesbank is to hold a tender for a 35-day securities repurchase agreement today, at a minimum bid rate of 4.30 per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK (Lunchtime)

LONDON MONEY RATES

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 15, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.15
Algeria	Dinar	6.63
Andorra	French Franc	9.4725
	Spanish Peseta	194.18
Ghana	Cedi	220.91
Gibraltar	Gibraltar £	1.0
Greece	Drachma	203.06
Greenland	Danish Krone	10.9050
Grenada	E. Caribbean $	3.87
Panama	Balbao	1.4325
Papua New Guinea	Kina	1.3891
Paraguay	Guarani	343.80
		907.49

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	100	Exch 13¼pc 1987	100	-	13.24	11.22
100	97	Treas 10¼pcCv '87	99	+	10.28	11.56
98	92	Exch 2½pc 1987	98	+	2.53	8.07
101	97½	Exch 10½pc 1987	99¼	+	10.53	11.17
92	93½	Funding 5½pc 85-87	98¼	+	6.59	9.96
101	96	Treas 10pc 1987	99	+	10.05	11.18
97	90	Treas 3pc 1987	97	-	3.09	8.51
104	99¼	Treas 12pc 1987	100	+	11.92	11.21
99	92	Treas 7¾pc 1985-88	96		7.99	10.67
104	96	Exch 10½pc '88	99	-	10.60	11.22
102	95	Treas 9½pc Cv '88	97	-	9.96	11.27
94	86	Transport 3pc '78-88	92	+	3.23	8.29
102	93	Treas 9½pc '88	97		9.79	11.24
107	98	Treas 11½pc 1989	100	-	11.46	11.27
103	93	Treas 9½pc Cnv 1989	96	-	9.86	11.28
92	82	Treas 3pc 1989	88	+	3.39	8.33
105	95	Treas 10½pc 1989	98	-	10.68	11.27
105	94	Exch 10pc 1989	97	+	10.30	11.27
107	97	Exch 11pc 1989	99		11.07	11.23
93	84½	Treas 5pc 1986-89	89		5.63	9.47
110	94½	Exch 10¼pcCv '89	100		10.20	10.08
114	103	Treas 13pc 1990	104	-	12.43	11.24
109	97	Exch 11pc 1990	99	-	10.07	11.18
113	101	Exch 12½pc 1990	103	-	12.09	11.23
89	79	Treas 3pc 1990	84		3.56	8.46
100	89	Treas 8¼pc 1987-90	93		8.88	10.70
106	93	Treas 10pcCv 1990	96	-	10.40	11.24
86	76	Exch 2½pc 1990	81¼	+	3.07	8.17
112	99	Treas 11¾pc 1991	101	-	11.51	11.08
94	83	Funding 5¾pc '87-91	86	+	6.62	9.54
84	79	Treas 3pc 1991	79		3.75	8.58

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكذا من الأصل

هكذا منه الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Continued

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]						
300	115	Cons. Murch. 10c	£17⅞	–⅛	Q60c	4.0
44	24	♥Ennex Int. Ir10p	40	.....	—	—
164	70	Greenwich Res	162	–2	—	—
157	93	Hampton Areas 10p	146	–1	♦1.0	—
327	165	♥Highwood Res	220	–4	—	—
£20¾	£13⅜	Homestake Mining $1	£17⅝	.....	Q20c	—
310	156	♥McFinley Red Lake	195	+9	—	—
285	144	♥Musto Explorations	175	+7	—	—
51	28	♥New Sabina Res C$1	39	–1	—	—
353	200	Northgate C$1	309	+4	—	—
790	513	RTZ	664	.....	22.0	2.4
£164	£115	Do. 9¼pc Ln '95-2000	£138¾	.....	Q9½%	15.5

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ƒ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	.....	Fin. 13% 97/02	£98½	–1
Craig & Rose £1	£15	+¼	Arnotts	355	
Finlay Pkg. 5p	47	.....	CPI Hldgs	45	–3
Holt (Jos) 25p	810	.....	Carroll Inds	141	
IoM Stm. £1	78	.....	Dublin Gas	10	
			Hall (R & H)	98	
IRISH			Heiton Hldgs	30	
Fund 11¾% 1988	£97⅛	.....	Irish Ropes	140	
Nat. 9¾% 84/89	£91⅞	.....	Unidare	270	

"Recent Issues" and "Rights" Page 38
(International Edition Page 42)

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 24	Dec 4	Dec 5	Dec 15
Dec 8	Dec 18	Dec 19	Jan 5
Dec 22	Jan 8	Jan 9	Jan 19

* New time dealings may take place from 9.00 am two business days earlier.

British Gas and oils feature equities but Government bonds fade as buyers back off

An eventful, but finally disappointing, trading session in the UK securities markets left Government bonds lower as investors waited in vain for news from the Geneva meeting of Opec ministers. The equity sector started well, on the back of demand for British Gas and oil stocks, but gains were trimmed towards the close when Wall Street came in with an early fall.

The FT-SE 100 index, 11 points up at mid-session, ended a net 7.2 up at 1637.0, while the FT Ordinary index at 1280.3 showed a fall of 0.1.

The session opened with a bang when a foreign buyer—Japanese, in the opinion of market traders—put in a massive buy order for British Gas. Rumour had it that the order might be as big as 50m shares, and Seaq screen watchers could see the buying agent "hitting" the marketmakers all the way up to 66p.

This was a welcome sight for a market nervous of small sellers ahead when private investors receive their British Gas allotment letters this morning.

The buyer completed his order at 66p, however, and the shares then slid back to close at 64½p, a net 1p up, after 164m shares had traded.

British Gas benefited from the strength of the whole of the energy sector, as it waited for confirmation that Opec members will agree on production cuts sufficient to push crude prices up to $18 a barrel.

There was good demand for British Petroleum which jumped sharply on turnover of 4.1m shares, and for Shell, on 5.4m shares.

Also boosting the equity market was a strong rise in Glaxo (5m shares), after a US investment magazine gave the group favourable rating in a league table of world pharmaceutical companies.

However, US investors continued to sell Glaxo. The buying came from the British funds, which may have been encouraged by bullish recommendations for Glaxo by several London brokers, as well as by rumours that the group will shortly introduce a new drug.

Gilt-edged had a disappointing day, and prices ended a full point down as retail buyers resolutely refused to follow-through on Friday's buying. Some Far Eastern support was noted initially but thereafter, investors backed away, partly on the absence of firm news from Opec, and partly because of a new Government tap stock is expected this week.

Also discouraging for gilts was the sharp rise in UK retail sales in November.

Benchmark better

Financial services concern, Benchmark, formerly Manson Finance Trust, provided an outstanding firm feature in the bank sector, rising 6 to 44p following confirmation that the group is in merger discussions with Charlton Seal Dimmock, a Manchester and London-based firm of stockbrokers. Morgan Grenfell recovered a further 5 at 381p after comment on the acquisition of Cyrus J. Lawrence, a US broker. Mercury International, having fallen 52 last week on fading takeover hopes in the wake of the surprise sale of Mr Saul Steinberg's 15 per cent in the company to a Canadian pension fund, rallied 2 at 355p.

Initially displaying a useful premium over the placing price of 65p, USM newcomer Capital and Regional Properties drifted back from 71p to close at 66p.

Leading Building issues made a firm start, but drifted back in theabsence of follow-through support to close a share easier on balance. Secondary issues provided the main features of the day with Nottingham Brick reacting sharply to news that merger discussions with Steetley had been terminated, the price dipping 34 to 273p. Elsewhere, Cement Roadstone firmed 5 to 140p on details of the US expansion moves, while Bryant Holdings added 4 to 153p on hopes of a higher bid from unwelcome suitor English China Clays. Press comment boosted McCarthy and Stone 5 to 310p and F. J. C. Lilley a penny to 39p.

Croda International provided the only movement of note in the Chemical sector, adding 4½ to 159½p on speculative buying fuelled by bid hopes. ICI shed ⅛ to £10⅞ on currency influences.

Woolworth advance

Woolworth highlighted a firm Stores sector, rising 17 to 672p in response to news of the joint operation with Rosehaugh property group to develop a number of Woolworth's high street stores. Among other leading retailers, which were helped by news of the provisional November retail sales figures, Gussies A improved a fraction to £10¼ following Press comment in the wake of the group's recent interim results. Well over 4m Marks and Spencer shares changed hands and the close was 2½ dearer at 181½p, while Burton added 5 at 263p. Ward White, currently bidding for LCP, edged forward a penny at 283p on news of the company's proposed ADR listing and Ratners moved up 2 to 262p after newspaper mention and details of a £27m property deal.

United Scientific featured Electricals, rising 10 to 158p in response to the better-than-expected preliminary profits and encouraging statement regarding prospects. Highland Electronics moved up 7 at 89p following revived speculative support and Brikat added 10 at 93p. Goring Kerr, still drawing strength from the recent good results, added 10 afresh at 280p, while Logica put on 6 at 220p and LPA firmed 5 at 98p. CASE hardened 2 to 93p following an investment recommendation, but Amstrad reflected cautious comment with a decline of 3 at 111p. Systems Reliability lost 13 more making a two-day relapse of 45 at 200p following the board's profits warning. GEC were actively traded—over 7m shares changed hands—as dealers awaited the Government's decision on the early warning radar system; the close was a penny cheaper at 166p. Plessey, however, which hope to benefit if the Government opts for the American Boeing AWAC system, hardened 2 at 174p, after 175p.

Weekend Press comment suggesting that GEC will bid for Babcock's power business, prompted a little buying interest in the latter's shares which closed a couple of pence better at 185p. Elsewhere in the Engineering sector, newspaper comment also enlivened interest in APV, 8 to the good at 598p, and Linread featured a gain of 15 at 91p. RHP rallied a penny to 162p after recent dullness on the preliminary results. Tace put on 15 to 380p, but profit-taking after the annual results left Johnson and Firth Brown 2 cheaper at 34p. Buying ahead of Friday's interim statement prompted a gain of 3½ to 45½p in Wellman.

Leading Foods showed little alteration, but Cadbury Schweppes edged up 2 to 186p, reflecting US demand, while Hillsdown Holdings rallied 2 to 218p. Press comment helped Unigate firm 3 to 313p, but publicity given to a broker's circular failed to sustain Rowntree Mackintosh, a shade off at 400p. Press suggestions of an imminent change of control sparked fresh demand for Squirrel Horn which gained 11 to 68p, while further demand in a restricted market lifted Cheshire Wholefoods 2 to 265p. Hunter Saphir added 5 to 171p following Press comment.

Grand Metropolitan touched 478p initially following newspaper comment highlighting consortium takeover hopes before drifting back to close 4 cheaper on balance at 471p.

Pilkington active

Pilkington, up 15 at 640p, were actively traded (7.5m shares) awaiting further developments in the bid situation with BTR. Among the other miscellaneous industrial leaders, Glaxo, still reflected the chairman's confident statement at last week's annual meeting, revived with a gain of 25 at 977p, but Unilever encountered further profit-taking and gave up 23 more to 2170p. Elsewhere, English China Clays, which announced preliminary figures in line with market estimates, closed a shade easier at 320p. Barrow Hepburn hardened 2 to 137p following rejection of the offer from Yule Catto, but Restair, the subject of buying recently on takeover hopes, eased 5 to 188p. Steetley, in contrast, moved up 9 to 460p on news that the company had terminated bid talks with Nottingham Brick. De La Rue were favoured and put on 5 to 370p, while Press comment stimulated occasional support for Business Group which improved 5 to 173p. Newspaper mention was also responsible for a fresh gain of 3 to 331p in Redfearn Glass. Wellcome rallied 6 to 215p, while BBA, still reflecting news of the company's new electronic braking system, advanced 4 more to 129p. Halma, on the other hand, closed a couple of pence cheaper at 256p after the interim statement.

Leisure counters were quietly mixed. WSL hardened 4 to 163p reflecting Press suggestions of a bid from Blue Arrow. Stanley Leisure on the other hand, eased a few pence to 184p, following the agreed acquisition of Manchester-based Arthur Roye (Turf Accountant) for £1.5m.

Lucas Industries, which is seeking further expansion in the US aerospace market, rose to 468p before meeting selling and closing 11 down on balance at 455p. Other Motor Component issues drifted easier and FR Group lost 2 more to 317p, while AE slipped 4 further to 259p. A new favourite emerged in Distributors when a spate of buying interest lifted Godfrey Davis 8 to 125p and gave rise to speculation of bid possibilities. Stake-building rumours continued to bolster Caffyns, 5 up at 245p, but Lex Service weakened 12 to 292p.

Excellent annual results together with a proposal to make an ADR share offering generated good inquiry for Carlton Communications, up 8 at £10¾. Bumper preliminary profits, which beat the forecast made in July when the company moved up from a USM to full market listing, underpinned Holmes and Marchant, 5 higher at 310p, but USM-listed Craton Lodge surrendered 16 to 70½p, [illegible] last week's rise following disappointment with the full-year figures to end 15 down at 91p. Associated Newspapers achieved a fresh high for the year of 378p, up 7, while LCA responded to Monopolies Commission clearance of the MAI offer and the Piccadilly House (London) acquisition of a 29.9 per cent stake, recovering 8 to 118p.

The Property leaders continued to trade quietly. Land Securities drifted back to close 4 cheaper at 332p, but British Land hardened a couple of pence to 184p ahead of tomorrow's half-timer. Elsewhere, Property and Reversionary closed 5 higher at 271p, after 273p, following the statement from the company that an offer of 300p per share cash from Speyhawk had been rejected in favour of the current agreed merger with Lynton; Speyhawk settled 10 lower at 375p. Elsewhere, Rosehaugh firmed 5 to 585p in response to Press comment, while Mountleigh gained ⅞ to £11⅞ following the excellent interim results and confident statement. Newspaper comment boosted Rivlin 10 to 125p, while renewed demand left Egerton Trust 2 higher at 102p.

P. and O. were one of the few Alpha stocks to move against the trend. Turnover was rather low but sellers were in sufficient numbers to lower the price 7 to 498p.

A number of Textiles remained on buyers' lists and both S. Lyles, 110p, and Early's of Witney, 123p, picked up around 3 or so, while J. Beales and Lament rose 4 to the respective prices of 182p and 205p. Richards failed to participate, despite a good annual trading statement, and closed 2 lower at 54p.

Fleming Mercantile's introduction of a new novel warrant was of major interest to the Investment Trust sector and the shares rose 4 to a 1986 peak of 176p. Features elsewhere were few. Following completion of the Scheme of Amalgamation, the listings of Alliance capital and incomes shares were withdrawn. Among Financials, Antofagasta improved 7 to 147p and London and Associated 2 to 22p, both on weekend Press mention.

The oil majors gave a good performance on hopes that Opec may be able to come to some agreement on output cuts which in turn could lead to higher crude prices. Leading the way, British Petroleum gained 16 to 704p, while Shell rose 17 to 971p. Britoil, additionally reflecting a market maker's recommendation, closed 3 dearer at 165½p, while LASMO added 3½ to 150p. Ultramar were a couple of pence dearer at 154p and Enterprise 3½ to the good at 180½. IC Gas added 3 to 559p awaiting today's half-timer.

Jantar, the UK-domiciled overseas trader which still has mining interests in Nigeria and Ghana, gave a little colour to an otherwise lacklustre mining sector; the shares touched 60p at one stage before settling 10 up on balance at 53p following the disclosure that Pioneer International Trust has sold a 29.9 per cent stake at 50p per share. Mr Edward Nasser, chairman of Jantar, has a non-beneficial interest in Pioneer. The news stimulated sympathetic interest for Bisichi Tin, in which Jantar controls just over 17 per cent of the equity, finally 4 up at 33p.

International enthusiasm for South African mining markets remained at a similarly restrained level to that which prevailed throughout the previous week. Despite the relative strength of bullion—the metal rallied $4 to $394.25 an ounce reflecting reported Far East and Swiss support amid continued oil price uncertainty—and the slight weakening of the Financial Rand against the dollar, dealers reported scant interest for top-quality Golds. The absence of a definite lead from Johannesburg was undoubtedly a factor—the Cape is closed today for the Day of the Vow holiday. Sentiment was also unsettled following the annual report from Barclays National Bank which predicted a worsening of social and economic conditions in the Republic, a view which has resulted in the company refusing to issue a profits estimate for the current year.

Interest in Australian stocks, recently centred on industrial and media counters, switched to mines, with Golds well to the fore. Renewed speculation that the Government may abandon plans for a tax on Golds lifted Central Norseman 10 to 633p, and Renison 5 to 439p. Gains were also noted for Metana, 298p and Sons of Gwalia, 318p. Paringa advanced 10 to 120p, after 130p, on news that the company has been granted permission to explore a gold and base metal prospect in Central Kalimantan, Indonesia.

Traded Options

Business in Traded Options showed little sign of winding-down in front of the impending festivities. Total contracts transacted amounted to a lively 38,114 with last week's newcomer British Gas—12,108 calls and 5,221 puts struck—again in the limelight. Perennial option highflier Hanson Trust attracted 2,112 calls and 516 puts, while dealers also reported an active and evenly-balanced business in Grand Metropolitan which contributed 1,027 calls and 1,460 puts.

Traditional Options

- **First dealings** Dec 15 Jan 5 Jan 19
- **Last dealings** Jan 2 Jan 16 Jan 30
- **Last declaration** Mar 19 Apr 2 Apr 23
- **For Settlement** Mar 30 Apr 13 May 5

For rate indications see end of Unit Trust Service

Active conditions prevailed among options with calls transacted in Amstrad, Hampton Trust, Godfrey Davis, Myson, Petranol, Nu-Swift Industries, Sovereign Oil and Gas, Command Petroleum, Sun Oil, Conroy, Afro-West, Reabrook, Raine, Tricentrol, J. E. England, Delta, BSR, Egerton, Aran, Dee Coporation, North Kalgurli, Greenwich Resources, Wigfalls, Premier Oil, Martin Ford, Kellock Trust, Barham, GRA, NMC Investments, Spong, Glentree, Citygrove, Ivanhoe Gold, Nottingham Brick, F. J. C. Lilley, Federated Housing, Chloride, GEC, Benlox, Forsayth and Dixons. Puts were taken out in Spectrum and Amstrad, while doubles were arranged in British Gas and Amstrad.

FINANCIAL TIMES STOCK INDICES

	Dec. 15	Dec. 12	Dec. 11	Dec. 10	Dec. 9	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.39	82.24	81.60	81.64	81.53	82.85	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.08	89.00	88.61	88.64	88.55	88.85	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,280.3	1,280.4	1,284.7	1,285.5	1,284.4	1,100.3	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	313.2	311.7	316.9	312.6	320.0	257.5	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.47	4.47	4.46	4.46	4.46	4.53				
Earnings Yld.%(full)	10.61	10.62	10.56	10.49	10.50	11.23				
P/E Ratio (net) (*)	11.57	11.56	11.62	11.71	11.70	10.99				
SEAQ Bargains (5pm)	29,882	30,340	31,290	31,309	35,432	—				
Equity Turnover (£m)	—	1,166.95	1,111.10	1,212.01	1,451.88	388.13				
Equity Bargains	—	45,522	51,868	60,696	56,819	18,491				
Shares Traded (ml)	—	571.6	550.9	673.2	757.1	170.5				

S.E. ACTIVITY

Indices	Dec. 12	Dec. 11
Gilt Edged Bargains	129.0	120.5
Equity Bargains	295.0	336.1
Equity Value	2358.7	2245.8
5-Day Average		
Gilt Edged Bargains	111.8	110.2
Equity Bargains	343.0	338.1
Equity Value	2467.6	2540.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1284.0	1285.6	1285.5	1286.5	1286.6	1286.5	1284.0	1281.1

Day's High 1287.1. Day's Low 1279.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.14.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (107)

BRITISH FUNDS (2), BANKS (1), BUILDINGS (8), CHEMICALS (5), STORES (6), ELECTRICALS (11), ENGINEERING (13), FOODS (3), INDUSTRIALS (18), INSURANCE (1), LEISURE (2), NEWSPAPERS (3), PAPER (2), PROPERTY (5), TEXTILES (3), TRUSTS (33), OILS (3), MINES (1).

NEW LOWS (12)

AMERICANS (2) Cont. Illinois Corp., Hospital Corp., BANKS (1) TSB, BUILDINGS (1) Henderson Group, ELECTRICALS (1) Systems Reliability, FOODS (1) Hillards, INDUSTRIALS (2) Huntleigh Tech., Siebe, LEISURE (1) Media Technology Intl, SHIPPING (1) Sea Containers, TRUSTS (1) Aust Merch, OVERSEAS TRADERS (1) GN Great Nordic.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change
Land Securities	670	332	−4
Legal & Gen.	292	246	−2
Lloyds Bnk	966	450	+2
Lonrho	1,000	228	—
Marks & Spncr	4,600	181½	+2½
[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	71	24	17
Corporations, Dominion and Foreign Bonds	8	13	48
Industrials	421	470	645
Financial and Properties	149	160	274
Oils	48	21	44
Plantations	1	4	9
Mines	56	45	84
Others	54	106	41
Totals	808	843	1,162

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday December 15 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri Dec 12 Index No.	Thur Dec 11 Index No.	Wed Dec 10 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (210)	677.38	−0.1	9.22	3.85	13.73	17.01	677.82	681.08	681.00	562.24
2	Building Materials (27)	853.97	+0.2	8.88	3.60	14.17	18.98	852.13	851.48	848.23	617.25
3	Contracting, Construction (29)	1158.61	+0.1	8.13	4.00	16.90	32.81	1157.20	1159.03	1155.91	909.79
4	Electricals (12)	1755.00	+0.2	8.69	4.86	14.77	56.02	1752.22	1742.43	1738.19	1514.59
5	Electronics (38)	1444.20	−0.2	10.00	2.85	13.27	38.56	1446.69	1464.97	1467.75	1481.19
6	Mechanical Engineering (61)	382.17	+0.1	10.51	4.32	12.33	11.18	381.90	384.20	384.66	320.44
8	Metals and Metal Forming (7)	348.97	+0.1	10.51	4.26	12.19	10.25	349.43	350.35	350.85	237.10
9	Motors (15)	263.87	−1.1	10.48	3.98	12.01	6.73	266.77	268.08	268.62	250.75
10	Other Industrial Materials (21)	1186.01	−0.1	7.49	4.64	15.84	30.57	1187.07	1188.38	1186.92	983.43
21	CONSUMER GROUP (186)	934.31	+0.4	8.18	3.41	15.39	21.04	930.70	932.94	933.09	752.39
22	Brewers and Distillers (22)	941.15	—	8.94	3.61	13.99	17.52	941.62	940.83	927.99	759.33
25	Food Manufacturing (24)	734.71	−0.1	9.24	3.83	14.18	19.22	735.40	738.02	739.16	564.17
26	Food Retailing (16)	1838.78	+0.3	7.10	2.93	19.61	35.41	1834.14	1832.41	1850.51	1732.00
27	Health and Household Products (10)	1539.98	+1.4	6.17	2.47	18.77	26.19	1519.43	1536.94	1527.92	1104.32
29	Leisure (29)	966.93	−0.5	7.78	4.20	16.81	26.00	971.34	968.19	971.53	753.67
32	Publishing & Printing (14)	2727.26	+0.6	7.14	4.18	18.05	77.81	2709.95	2725.73	2689.45	1856.63
33	Packaging and Paper (14)	482.50	—	7.23	3.47	17.92	11.74	481.73	489.13	490.91	365.23
34	Stores (38)	828.87	+0.8	7.68	3.25	17.70	17.41	822.57	822.77	829.05	751.49
35	Textiles (17)	540.39	—	9.87	3.78	11.67	14.49	540.60	544.28	542.05	376.93
36	Tobaccos (2)	1296.40	+0.1	12.79	3.99	8.58	36.99	1294.67	1285.42	1298.22	871.96
41	OTHER GROUPS (86)	796.25	+0.1	9.09	4.17	14.11	17.75	795.61	801.54	804.53	705.41
42	Chemicals (20)	1008.50	−0.7	8.81	4.35	13.83	29.59	1015.12	1021.99	1019.64	727.22
44	Office Equipment (4)	256.66	+0.2	7.24	4.35	16.70	7.55	256.27	257.79	256.60	213.99
45	Shipping and Transport (12)	1520.26	−0.2	7.88	4.58	16.18	46.25	1532.46	1548.90	1534.55	1321.60
47	Telephone Networks (2)	790.96	+0.9	11.83	4.87	11.53	16.67	783.61	793.59	803.58	881.63
48	Miscellaneous (48)	1107.13	—	7.04	3.22	17.52	17.30	1107.55	1118.96	1113.31	868.11
49	INDUSTRIAL GROUP (482)	840.62	+0.2	8.66	3.70	14.64	19.42	838.94	842.45	843.25	697.88
51	Oil & Gas (18)	1481.56	+2.4	11.49	6.13	11.01	62.91	1446.60	1432.73	1418.94	1085.18
59	500 SHARE INDEX (500)	894.95	+0.5	9.07	4.05	13.96	22.35	890.32	892.08	891.78	731.38
61	FINANCIAL GROUP (118)	607.27	−0.3	—	4.70	—	18.95	609.03	609.63	610.74	511.28
62	Banks (8)	668.00	−0.3	18.84	5.50	7.28	24.78	669.93	667.07	666.86	508.15
65	Insurance (Life) (9)	857.71	−0.8	—	4.54	—	27.29	864.59	864.67	864.48	785.01
66	Insurance (Composite) (7)	453.79	−0.7	—	4.78	—	15.57	456.77	460.77	463.72	397.97
67	Insurance (Brokers) (9)	1156.93	+0.2	8.10	4.55	16.09	36.30	1154.31	1165.18	1171.78	1179.94
68	Merchant Banks (11)	341.62	+0.7	—	4.24	—	7.35	339.31	336.97	338.53	282.55
69	Property (49)	804.59	−0.2	5.80	3.59	22.35	19.48	806.01	809.82	811.77	665.57
70	Other Financial (25)	365.00	−0.1	8.82	4.35	13.84	9.81	365.43	366.69	366.65	304.68
71	Investment Trusts (97)	866.26	+0.1	—	2.65	—	16.23	865.73	862.16	859.94	639.49
81	Mining Finance (2)	328.73	+0.2	9.52	4.88	12.35	11.30	328.15	328.84	330.05	244.44
91	Overseas Traders (13)	748.23	—	10.73	5.98	11.24	29.74	748.66	748.50	746.14	586.91
99	ALL-SHARE INDEX (730)	818.13	+0.4	—	4.12	—	21.52	815.18	816.56	816.36	667.75

	Index No.	Day's Change	Day's High	Day's Low	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Year ago
FT-SE 100 SHARE INDEX ‡	1637.0	+7.2	1641.3	1634.1	1629.8	1634.0	1634.6	1635.9	1623.4	1376.5

FIXED INTEREST

	PRICE INDICES	Mon Dec 15	Day's change %	Fri Dec 12	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	119.05	+0.01	119.04	—	11.00
2	5-15 years	129.89	+0.10	130.26	0.51	12.63
3	Over 15 years	136.12	+0.35	135.65	—	12.15
4	Irredeemables	148.23	+0.22	147.91	—	13.57
5	All stocks	128.40	+0.11	128.50	0.25	12.23
	Index-Linked					
6	5 years	115.82	+0.48	115.28	—	2.00
7	Over 5 years	112.43	+0.40	112.15	0.17	3.01
8	All stocks	112.95	+0.41	112.63	0.15	2.84
9	Debentures & Loans	110.66	+0.27	110.36	—	11.72
10	Preference	78.68	−0.14	78.79	—	6.36

	AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 15	Fri Dec 12	Year ago (approx.)
	British Government				
1	Low	5 years	9.88	9.88	10.16
2	Coupons	15 years	10.40	10.44	10.32
3		25 years	10.41	10.46	10.33
4	Medium	5 years	11.21	11.19	10.97
5	Coupons	15 years	10.76	10.79	10.69
6		25 years	10.55	10.57	10.60
7	High	5 years	11.27	11.25	11.27
8	Coupons	15 years	10.94	10.98	10.84
9		25 years	10.66	10.70	10.66
10	Irredeemables		10.16	10.18	10.11
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.78	4.04	[illegible]
12	Inflat'n rate 5%	Over 5 yrs	3.77	3.79	3.65
13	Inflat'n rate 10%	5 yrs	2.18	2.43	[illegible]
14	Inflat'n rate 10%	Over 5 yrs	3.59	3.62	3.49
15	Debs & Loans	5 years	11.72	11.72	11.43
16		15 years	11.57	11.66	11.35
17		25 years	11.57	11.59	11.35
18	Preference		11.86	11.84	11.91

‡Opening index 1634.1; 10 am 1637.4; 11 am 1637.5; Noon 1639.0; 1 pm 1640.6; 2 pm 1641.1; 3 pm 1637.4; 3.30 pm 1636.0; 4 pm 1635.6

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

[illegible]

December 15. Total Contracts 38,114. Calls 25,240. Puts 12,874. FT-SE Index. Calls 576. Puts 491.

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Dec. 15	Price Sch.	+ or —
Credit'nst'lt pp.	2,120	-30
Goesser	3,150	-50
Interunfall	15,400	+200
Jungbunzlauer	11,250	+50
Laenderbank	2,100	-30
Perimooser	605	+5
Steyr Daimler	156	.....
Veitscher Mag	11,125	-19

BELGIUM/LUXEMBOURG

Dec. 15	Price Frs.	+ or —
B.B.L.	5,080	-20
Banq. Gen. Lux.	15,600	.....
Banq. Int. A.Lux.	16,050	.....
Bekaert	10,925	-80
Ciment CBR	4,075	-15
Cockerill	180	-3
Delhaize	3,850	+50
EBES	4,975	-5
Electrobel	14,625	
Fabrique Nat	1,930	-20
GB Inno BM	8,800	-20
GBL Brux	3,585	-25
Generale Bank	6,050	-150
Gevaert	6,220	+20
Hoboken	7,800	-70
Intercom	3,800	-90
Kredietbank	4,150	+50
Pan Hldgs.	10,930	-70
Petrofina	9,770	-20
Royale Belge	29,440	-20
Soc. Gen. Belge	3,400	-20
Sofina	11,975	-200
Solvay	8,800	+20
Stanwick Intl.	185	.....
Tractionel	6,520	-30
UCB	6,250	-60
Wagons Lits	6,450	-80

DENMARK

Dec. 15	Price Kr.	+ or —
Baltica Skand.	735	-10
Cop Handelsb'nk	259	-1
D. Sukkerfab	341	+1
Danske Bank	315	.....
East Asiatic	186	+1
Forenede Brygg.	910	+5
GNT Hld	304	+6

GERMANY

Dec. 15	Price Dm.	+ or —
AEG	338.5	-5.5
Allianz Vers.	2,230	-2
BASF	275.5	-1.5
Bayer	316	-1
Bayer-Hypo	565	-6.6
Bayer-Verein	522	-7
BHF-Bank	538	-8
BMW	685	-3
Brown Boveri	296	-0.5
Commerzbank	308	-4
Cont'l Gummi	346.2	-8.8
Daimler-Benz	1,175xr	-17.5
Degussa	466	+5
D'sche Babcock	205	-1
Deutsche Bank	816	-7.5
Dresdner Bank	405	-3
Feld Muehle Nol	283	-6.5
Henkel	482.2	-1.8
Hochtief	880	-50
Hoechst	268.4	+0.4
Hoesch Werke	120.2	-2.3
Holzmann (P.)	502	-7
Horten	240	+6
Hussel	625	-9.5
Karstadt	481	+15
Kaufhof	521.5	+4.5
KHD	178.5	-5.5
Kloeckner	63.3	-2.2
Linde	749	.....
Lufthansa	179	-5.5
MAN	208	+2
Mannesmann	178.5	-1
Mercedes Hld.	1,065	-19
Metallgesell	295	-2
Muench Rueck	2,630	+10
Nixdorf	734.5	-3
Porsche	1,055	-28
Preussag	177.5	+0.5
Rhein West Elect	229.5	-4.5
Rosenthal	372	-6
Schering	661	-9.5
Siemens	743	-7.9
Thyssen	142	-4.5
Varta	388	-4
Veba	291	-1.6
V.E.W.	150.5	-4.5
Verein West	476	.....
Volkswagen	427.5	-2.5

NORWAY

Dec. 15	Price Kroner	+ or —
Bergens Bank	187	+1.5
Bergesen B	245.0	.....
Christiania Bank	205	+0.5
Den Norske Cred.	174.5	+1.0
Elkem	93	.....
Kosmos	149.5	+1.5
Kvaerner	175	-7.5
Norsem	129	+3.5
Norsk Data	204	-4
Norsk Hydro	146.5	.....
Orkla Borregaad	391	.....
Storebrand	259	+1.0

SPAIN

Dec. 15	Price Pts %	+ or —
Bco Bilbao	1,294	.....
Bco Central	878	.....
Bco Exterior	380	-9
Bco Hispano	469	-1
Bco Popular	1,430	.....
Bco Santander	905	-1
Bco Vizcaya	1,580	+16
Banesto	699	+4
Dragados	432.5	+16.5
Hidrola	107	.....
It e duero	159.2	+5.2
Petroleos	586	+5.5
Telefonica	163	.....

SWEDEN

Dec. 15	Price Kronor	+ or —
AGA	180	-5
Alfa-Laval B	385	-4
ASEA (Free)	542	-5
Astr (Free)	520	-10
Atlas Copco	171	-3
BayerA.B.	159	-1
Cardo (Free)	180	.....
Cellulosa	280	-1
Electrolux B	320	-3
EricssonB.	220	-4
Esselte	145	-5
Mo och Domsjo	279	-1
Pharmacia	208	.....
Saab Scania Free	716	-5
Sandvik	153	-4
Skandia	131	-5
Skan Enskilda	120	-4
SKF	347	-8

HONG KONG

Dec. 15	Price H.K.$	+ or —
Bank East Asia	21.5	+0.1
Cathay Pacific	6.85	.....
Cheung Kong	36.25	-1
China Light	20.6	-0.2
Evergo	0.8	-0.01
Hang Seng Bank	39.25	-0.25
Henderson Land	4.45	.....
HK China Gas	20.6	+0.7
HK Electric	11.4	-0.2
HK Kowloon Wh.	9.1	-0.05
HK Land	6.65	-0.05
HK Shanghai Bk.	89.5	-0.1
HK Telephone	14.7	-0.1
Hutchinson Wpa.	42.75	-0.5
Indust.Equit.Pac	28.8	-0.1
Jardine Math.	21.6	-0.2
New World Dev.	9.15	-0.05
SHK Props	18.1	-0.1
Shell Elect.	0.79	-0.02
Swire Pac A	18.7	-0.1
TV-B	10.2	.....
Winsor Inds	9.65	-0.15
World Int. Hldgs.	5.57	+0.02

JAPAN

Dec. 15	Price Yen	+ or —
Ajinomoto	2,000	-20
All Nippon Air	993	+3
Alps Electric	2,110	.....
Asahi Chem	821	-4
Asahi Glass	1,380	-10
Bank Tokyo	927	+27
Bridgestone	735	-2
Brother Inds	580	-10
Canon	1,050	+10
Casio Comp	1,480	.....
Chugai Pharm.	1,390	-10
Daiei	1,360	+20
Dai-ichi Kan. Bk.	1,740	+10
Dai Nippon Ink	641	-9
Dai Nippon Ptg	1,940	-40
Daiwa House	1,840	-30
Daiwa Sec	1,790	-10
Eisai	2,200	-20
Fanuc	6,210	-80
Fuji Bank	1,790	+30
Fuji Film	3,510	+40
Fujisawa	1,810	-10
Fujitsu	1,100	-20
F'urukawa Elect.	548	-13
Green Cross	2,560	+10
Heiwa Real Est.	1,110	+40
Hitachi	1,080	-20
Hitachi Credit	1,700	-20
Honda	1,290	.....
Indl. Bk. Japan	2,480	+90
Ishikawajima Hr.	449	-16
Isuzu Motor	328	+8
Itoh (C)	785	-15
Ito Yokado	4,160	-70
Jal	9,900	-300
Jusco	1,420	.....
Kajima	1,380	-40
Kao Corp	1,740	-10
Kawasaki Steel	187	-11
Kirin	1,560	-10
Kobe Steel	158	-3
Komatsu	490	-6
Konishiroku	665	+18
Kubota	375	+6
Kumagai	1,200	.....
Kyocera	4,170	-10
Marubeni	456	+1
Marui	2,860	-30
Mazda Mo'ors	372	-3
Meiji Seika	627	.....
MHI	2,100	+40
M'bishi Bank	1,790	+20
M'bishi Chem	728	-9
M'bishi Corp	1,000	-20
M'bishi Elect	447	-6
M'bishi Estate	2,400	-50

JAPAN (continued)

Dec. 15	Price Yen	+ or —
Shimizu Constn.	753	-10
Shionogi	1,530	-30
Shiseido	2,020	-40
Showa Denko	395	-9
Sony	3,480	-70
S'tomo Bank	2,430	+80
S'tomo Chem.	415	-2
S'tomo Corp	1,060	-10
S'tomo Elect	1,770	+10
S'tomo Metal	141	-1
Taisei Corp	935	-5
Taisho Marine	978	+10
Taiyo Kobe Bank	730	.....
Takeda	3,510	-20
TDK	4,000	+10
Teijin	725	+15
Tos Nenryo	1,700	-30
Tokai Bank	1,170	.....
Tokio Marine	1,800	.....
Tokyo Elect Pwr.	8,200	-170
Tokyo Gas	1,190	-30
Tokyu Corp	1,200	-40
Toppan Print	1,710	-40
Toray	594	-7
Toshiba Elect.	670	-6
Toyo Seikan	2,130	.....
Toyota Motor	2,170	-20
UBE Inds	275	-10
Victor	2,760	-20
Yamaha	650	+12
Yamaichi Sec.	1,610	+30
Y'manouchi Phm	4,000	.....
Yamazaki	1,640	+50
Yasuda Fire	950	-6

SINGAPORE

Dec. 15	Price $	+ or —
Boustead Hldgs.	1.27	-0.02
Gold Storage	3.62	-0.04
DBS	8.75	-0.05
Genting	6.15	-0.05
Haw Par Bros.	2.92	-0.02
Hong Leong Fin.	2.85	.....
Inchcape Bhd.	2.75	-0.02
Keppel Corp	2.78	-0.01
Malay Banking	6.10	-0.05
Malay Utd. Ind	1.27	-0.05
Multi Purpose	0.51	-0.01
OCBC	9.00	-0.05
OUB	3.60	-0.06
Public Bank	1.23	-0.01
Sime Darby	1.80	.....
Singapore Air	9.25	.....
Singapore Press	7.75	-0.10
Straits Trading	3.64	-0.02
Tat Lee Bank	2.90	-0.03
UOB	4.40	-0.02

SOUTH AFRICA

Dec. 15	Price Rand	+ or —
Abercom	3.10	+0.10
AE & CI	14.25	+0.25
Allied Tech	86	.....
Anglo Am. Coal	33.25	.....
Anglo Am. Corp.	67.50	+0.75
Anglo Am. Gold	326	+5
Barclays Bank	20	.....
Barlow Rand	18.75	-0.15
Buffels	76.5	-4.0
CNA Gallo	2.75	.....
Currie Finance	4.35	-0.2
De Beers	35	+0.55
Driefontein	70	+2.25
F. S. Cons.	52.5	.....
Gold Fields S.A.	81.50	+0.50
Highveld Steel	6.90	.....
Malcor	17.25	-0.25
Nedbank	6.7	+0.2
OK Bazaars	15.25	+0.25
Rembrandt	89.5	+0.5
Rust Plat	47.15	+0.40
Safren	16.25	.....
Sage Holdings	9.6	.....
SA Brews	15.75	+0.25
Smith (CG)	29.75	+0.25
Tongaat Huletts	7.7	.....

Indices

	Dec. 15	Dec. 12	Dec. 11	Dec. 10	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1438.1	1457.7	1457.4	1431.0	1443.5 (9/12)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	691.9	687.5	685.4	692.5	719.9 (21/10)	491.1 (20/1)
AUSTRIA						
Creditbk Aktien (30/12/64)	231.52	251.75	253.72	235.81	256.64 (23/4)	226.58 (5/3)
BELGIUM						
Brussels SE (1/1/64)	4049.56	4068.57	4098.20	4129.26	4131.69 (9/12)	2766.91 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	195.48	194.60	194.84	250.70 (18/4)	186.28 (11/11)
FINLAND						
Unitas Genl. (1975)	428.7	427.5	426.5	425.7	428.7 (15/12)	258.3 (2/1)
FRANCE						
CAC General (31/12/82)	414.5	412.5	413.4	410.0	414.5 (15/12)	267.8 (2/1)
Ind Tendance (31/12/82)	165.0	164.2	164.1	163.4	165.0 (15/12)	101.1 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	675.36	679.25	88 4.42	682.47	755.98 (17/4)	585.92 (22/7)
Commerzbank (1/12/53)	2055.6	2051.1	2062.9	2061.70	2278.8 (17/4)	1762.4 (22/7)
HONG KONG						
Hang Seng Bank (31/7/64)	2449.45	2465.23	2467.15	2442.59	2467.15 (11/12)	1559.94 (19/3)
ITALY						
Banca Comm. Ital. (1972)	(u)	677.16	671.10	669.20	908.20 (20/5)	454.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	18788.9	18850.6	18781.2	18776.2	18936.2 (20/8)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1568.08	1568.51	1555.78	1555.5	1583.35 (20/8)	1025.85 (21/1)
NETHERLANDS						
ANP.CPS General (1970)	284.0	286.1	286.0	284.5	301.0 (5/8)	240.4 [illegible]
ANP.CBS Indust (1970)	282.0	284.4	284.8	285.2	303.9 (19/8)	234.0 [illegible]
NORWAY						
Oslo SE (4/1/83)	363.19	365.34	362.95	360.35	402.81 (16/1)	331.61 (4/8)
SINGAPORE						
Straits Times (30/12/66)	883.95	889.15	884.18	885.22	940.64 (3/11)	563.34 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1917.80	1867.0	1850.0	2061.0 (19/9)	1104.1 (21/4)
JSE Indust (28/9/78)	—	1584.0	1570.6	1564.0	1419.0 (12/11)	1019.5 (21/4)
SPAIN						
Madrid SE (30/12/85)	202.60	199.61	198.44	200.08	202.60 (15/12)	100.85 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2454.65	2474.0	2442.44	2424.93	2672.78 (7/11)	1729.57 (29/1)
SWITZERLAND						
SwissBankCpn (31/12/58)	588.3	584.0	594.4	595.2	625.5 (8/1)	497.2 (4/8)
WORLD						
M.S. Capital Intl. (1/1/70)	—	353.7	355.8	355.0	360.8 (1/9)	249.8 (25/1)

** Saturday December 13: Japan Nikkei (c). TSE (c).
Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

TOKYO — Most Active Stocks
Thurs Dec 15, 1986

OVER-THE-COUNTER Nasdaq national market, closing prices

NYSE COMPOSITE CLOSING PRICES

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

APV	598	+ 6
Antofag. Hlgs.	142	+ 7
Assoc. Newsp.	378	+ 7
Benchmark	44	+ 6
BP	711	+23
Carlton Comm.	£10¾	+ ½
Cement-Roads	140	+ 5
Davis (Godfrey)	125	+ 8
Glaxo	977	+25
Highland Elect.	89	+ 7
Jantar	53	+10
LCA	118	+ 8
Linread	91	+15
Mountleigh Group	£11⅛	+ ⅜
Pilkington	640	+15
Shell Transport	977½	+23½
Squirrel Horn	68	+11
Steetley	480	+ 9
Utd. Scientific	158	+10
Woolworth	872	+17

FALLS

Craton Lodge	91	−15
Lex Service	292	−12
Lucas Inds.	455	−11
Mercant. House	315	− 8
Nottingham Brick	273	−34
Stanley Leis.	184	− 6
System Rel.	200	−13

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	16¼	AAR s	.44	1.8	18	318	24⅝	24	24½	-⅛
30	21¾	ADT	.92	3.6		247	25¾	25⅝	25¾	+⅛
33	16½	AFG s	.12	.4	15	351	29⅝	29	29⅝	+¼
23	16¾	AGS			18	252	27⅞	27½	27¾	+⅜
15	7⅞	AMCA				12	7¼	7¼	7¼	+⅛
62⅞	33¼	AMR			13	3711	55⅝	54⅝	55⅝	+⅜
27½	23¾	ANR pf2.67		10.		2	26¼	26¼	26¼	
24¾	20⅜	ANR pf2.12		8.6		21	24¾	24⅝	24¾	+¼
16¾	10	ARX	71t	6.1	11	217	11¾	11⅝	11⅝	-⅛
41½	28¾	ASA	2a	5.4		645	37⅞	36⅞	37⅝	+⅜
18⅜	9¾	AVX		2.8		102	11⅞	11¼	11⅜	-½
32	26	AZP	2.72	9.5	9	4974	28½	28⅜	28⅝	+⅛
55	31⅝	AbtLb s	.84	1.7	21	3507	48½	47	48½	+⅛
32	25	AccoWd	.56	2.2	17	197	26	25¾	25⅞	-¼
14⅞	9	AcmeC	.40	3.8		196	10⅝	10	10⅝	+⅝
9¼	6⅞	AcmeE	.32b	5.1	16	34	6⅜	6⅛	6¼	+⅛
23⅞	17½	AdaEx	4.45e	22.		251	20¼	20	20¼	+⅛
33⅜	19⅝	AdmMl	.48	1.8	13	51	27⅞	26⅝	26⅝	-⅝
26⅝	12⅞	AdvSys	.45t	8.5	14	52	17	16⅝	17	+¼
32⅞	12⅞	AMD				1228	14¾	14¼	14¾	+¼
12⅝	5¼	Adobe				246	6	5¾	6	+¼
18⅜	13¾	Adob pf1.84		12.		9	16⅛	16	16	
20¼	16⅜	Adob pf2.40		14.		24	17⅜	17¼	17¼	-⅛
18⅝	10⅞	Advest	.12a	.9	10	56	12⅞	12½	12⅞	-⅛
66¾	51½	AetnLf	2.64	4.6	9	2446	57⅞	57¼	57½	-½
54⅝	51⅛	AetL pf2.94e		7.6		59	51¾	51⅜	51¾	+⅝

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Late rally recovers lost ground

REBOUNDING with the help of computer-driven buy programmes in the closing moments of trading, Wall Street stock prices managed to overcome earlier losses prompted by a weak bond market and international economic news, *writes Roderick Oram in New York.*

Prices declined in the bond market on signs that Opec was close to an agreement to cut oil production and on news of strong industrial production figures for November. They recovered partially during the afternoon, however.

The Dow Jones industrial average closed up a net 10.55 points at 1,922.81. It had fallen some 12 points shortly after the opening and only rebounded for a gain on the day just before the close.

Among blue chips American Express gained $1⅛ to $59⅝. AT&T edged up $⅛ to $27. Du Pont slipped $⅛ to $86⅝, General Motors gained $⅛ to $69⅝, IBM advanced $⅞ to $127¼. McDonald's dropped $1⅛ to $62 and United Technologies shed $⅞ to $46½.

The full market New York Stock Exchange composite index showed less of an upturn closing up 0.34 points at 141.87 on moderately brisk volume of 148.5m shares with declining issues outpacing rising by an eight to seven ratio.

News that Opec might trim oil production had little immediate impact on oil shares partly because investors began factoring the possibility into their calculations last week. While Exxon gained $⅝ to $72 and Texaco advanced $⅝ to $35⅝, Chevron eased down $⅜ to $47⅜ and Standard Oil fell $⅜ to $49½.

Chemical Bank fell $⅜ to $43½ on volume of 1.7m shares after announcing its agreed takeover of Texas Commerce Bancshares for shares and cash worth $33 a share. In addition, some non-performing loans of the Houston-based bank hit by the problems of the oil and real estate sectors will be spun off to Texas Commerce shareholders in a transaction worth $3 a share. Texas Commerce rose $⅛ to $27¼.

Beneficial declined sharply by $6 to $59. The finance and insurance group cancelled a shareholders' meeting called for December 23 to vote on a liquidation proposal. It said its board will meet later this week to review "a variety of strategic alternatives." Cannon Group, the fast expanding film production and exhibition company, gained $⅝ to $12⅞. It said it had the finance in place to make by Friday debt payments due yesterday. Creditors could force the controversial company into bankruptcy if it failed to make the payments.

Western Union gained $⅜ to $4⅛. Resource Holdings said it was proposing to form an investor group which would inject $300m of new capital into the group in return for 50 per cent of its equity. The investors would include the Hyatt hotel chain and Mr Harold Geneen, the former head of ITT.

Lorimar-Telepictures, the most active American Stock Exchange issue, declined $1⅛ to $16⅞.

After the market closed, AFG Partners said it was withdrawing its proposal to buy all of Lear Siegler at $65 a share because of uncertainties created by tax reform although it remained interested in helping Lear Siegler, which fell $⅝ to $76⅝, in its restructuring.

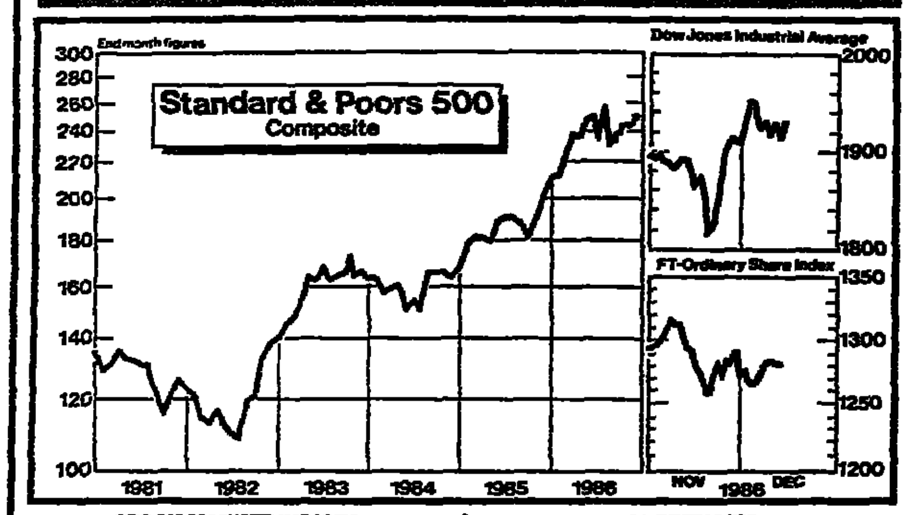
Gillette, the consumer products company which fought off a hostile takeover bid last month from Mr Ronald Perelman's Revlon group, rose $1⅛ to $49⅝. An analyst added it to his recommended list and yesterday was the dividend record date.

In the credit markets bond prices fell on the prospect of higher oil prices, and hence a slight increase in inflation, if Opec members cut production. Additional negative factors were a strong November industrial production increase of 0.6 per cent and a higher than usual Fed funds rate of around 6½ per cent even allowing for the demands placed on the financial system by corporate tax payments due yesterday.

The price of the 7.50 per cent benchmark Treasury long bond slipped ⅝ of a point to 101⅝ at which it yielded 7.40 per cent. Prices were down across the full range of maturities despite a partial recovery during the afternoon.

Three month Treasury bills gained two basis points to 5.62 per cent, six month bills rose five basis points to 5.55 per cent and year bills gained four basis points, also to 5.55 per cent. Other main economic figures due this week include the revised third quarter gross national product figure which is not expected to show any change from the initial 2.9 per cent growth and November's consumer price index which is expected to advance 0.2 to 0.3 per cent, continuing the low inflation rate trend.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Dec 15	Previous	Year ago
DJ Industrials	1,922.81	1,912.26	1,535.21
DJ Transport	830.10	834.77	722.81
DJ Utilities	209.98	209.67	168.80
S&P Composite	248.21	247.35	209.93
LONDON			
FT Ord	1,280.3	1,280.4	1,100.3
FT-SE 100	1,637.0	1,629.8	
FT-A All-share	818.13	815.18	662.51
FT-A 500	894.95	890.32	731.38
FT Gold mines	313.2	311.7	257.5
FT-A Long gilt	10.49	10.53	10.39
TOKYO			
Nikkei	18,788.94	18,830.6	13,108.0
Tokyo SE	1,566.03	1,568.5	1,047.97
AUSTRALIA			
All Ord.	1,438.1	1,437.7	976.0
Metals & Mins.	691.9	687.3	472.8
AUSTRIA			
Credit Aktien	231.32	231.75	234.07
BELGIUM			
Belgian SE	4,049.96	4,068.57	2,877.01
CANADA			
Toronto			
Metals & Minls	n/a	1,971.36	2,029
Composite	3,026.1*	3,041.6	2,866.0
Montreal			
Portfolio	521.51*	1,526.92	140.67
DENMARK			
SE		193.48	231.89
FRANCE			
CAC Gen	414.30	412.5	250.3
Ind. Tendance	165.0	164.2	94.1
WEST GERMANY			
FAZ-Aktien	673.36	679.25	610.34
Commerzbank	2,033.60	2,051.1	1,811.2
HONG KONG			
Hang Seng	2,449.43	2,463.2	1,735.58
ITALY			
Banca Comm.	–	677.18	434.88
NETHERLANDS			
ANP-CBS Gen	284.0	286.1	238.5
ANP-CBS Ind	282.0	284.4	220.0
NORWAY			
Oslo SE	363.19	365.34	388.28
SINGAPORE			
Straits Times	883.95	889.13	655.13
SOUTH AFRICA			
JSE Golds	—	1,917.0	1,118.9
JSE Industrials	—	1,384.0	1,034.3
SPAIN			
Madrid SE	202.60	199.61	99.65
SWEDEN			
J & P	2,454.65	2,474.0	1,730.67
SWITZERLAND			
Swiss Bank Ind	588.30	594.0	553.4
WORLD	Dec 11	Previous	Year ago
MS Capital Int'l	353.7	353.8	251.8

COMMODITIES

(London)	Dec 15	Prev
Silver (spot fixing)	379.80p	376.6p
Copper (cash)	£932.50	£931.50
Coffee (January)	£1,785.50	£1,865.70
Oil (Brent blend)	$16.05	$15.45

GOLD (per ounce)

	Dec 15	Prev
London	$394.25	$390.25
Zürich	$395.25	$391.45
Paris (fixing)	$393.20	$390.57
Luxembourg	$395.00	$389.85
New York (Feb)	$398.40	–

CURRENCIES

	US DOLLAR		STERLING	
(London)	Dec 15	Previous	Dec 15	Previous
$	–	–	1.4325	1.4275
DM	2.0180	2.0165	2.8925	2.8775
Yen	163.25	163.0	233.75	232.5
FFr	6.6125	6.61	9.4725	9.435
SFr	1.7000	1.6975	2.435	2.4225
Guilder	2.2800	2.2850	3.265	3.26
Lira	1,396.5	1,397.5	2,000.5	1,995
BFr	41.95	42.10	60.10	60.10
C$	1.3795	1.3780	1.9760	1.9685

INTEREST RATES

	Dec 15	Prev
Euro-currencies (3-month offered rate)		
£	11⁵⁄₁₆	11⅜
SFr	4⅜	4⁵⁄₁₆
DM	4¹⁵⁄₁₆	4¹⁵⁄₁₆
FFr	8⅞	9
FT London Interbank fixing (offered rate)		
3-month US$	6¼	6⁵⁄₁₆
6-month US$	6³⁄₁₆	6⅛
US Fed Funds	6½*	5⅞
US3-month CDs	5.85	6.125
US3-month T-bills	5.485*	5.62

US BONDS

Treasury		December 15* Price	Yield	Prev Price	Yield
6⅝	1988	99³¹⁄₃₂	6.265	100⁴⁄₃₂	6.231
7⅛	1993	100²⁴⁄₃₂	6.98	101⅝₂	6.924
7⅜	1996	100²⁵⁄₃₂	7.136	101	7.106
7¼	2016	101⁴⁄₃₂	7.405	101¹⁴⁄₃₂	7.379

Source: Harris Trust Savings Bank

Treasury Index	Dec 15			
Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	160.09	−0.22	6.94	+0.05
1–10	152.47	−0.12	6.63	+0.05
1– 3	142.27	−0.03	6.29	+0.05
3– 5	155.36	−0.13	6.71	+0.05
15–30	167.41	−0.57	7.95	+0.04

Source: Merrill Lynch

Corporate	December 15* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	92.142	6.40	92.218	6.635
SCBT South Central				
10⅞ Jan 1993	106.25	9.522	106.375	9.48
Phibro-Sal				
8 April 1996	99.625	8.055	100	8
TRW				
8⅜ March 1996	103.50	8.197	103.75	8.159
Arco				
9⅞ March 2016	110.25	8.884	110.375	8.873
General Motors				
8⅛ April 2016	92.50	8.843	93	8.792
Citicorp				
9⅜ March 2016	100.50	9.322	100.75	9.27

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	99–09	99–14	98–27	99–27
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.46	94.48	94.44	94.52
Certificates of Deposit (IMM) $1m points of 100%				
Dec	94.05	—	94.05	94.22
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.75	93.76	93.75	93.82
20-year Notional Gilt £50,000 32nds of 100%				
Dec	109–08	109–20	109–12	110–04

** Latest available figures*

TOKYO

Decline led by fears of Opec cuts

CONCERN over high price levels and a possible plan for a 10 per cent cut in crude oil production by Opec pushed shares lower in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average fell 41.70 from last week's close to 18,788.94. Volume totalled 425m shares compared with Friday's 733m. Declines outnumbered advances 460 to 350, with 184 issues unchanged.

Adding to the mood of concern were reports that Opec at its general meeting in Geneva was nearing a consensus on a 10 per cent oil output cut and the adoption of a fixed price of $18 per barrel.

Many investors, viewing these moves as adverse factors for the yen-dollar exchange rate and interest rate trends, shied away from the market.

In lacklustre trading, Nippon oil topped the active list with 38.82m shares traded, bolstered by investor expectations that a recovery of the oil market with higher crude oil prices could improve its earnings position. The issue gained Y40 to Y1,450. Teikoku Oil also advanced Y31 to Y681 on investor hopes for a possible rise in natural gas prices.

Tokyo Electric Power shed Y170 to Y8,200, while Tokyo Gas dropped Y30 to Y1,190, although it came out the second busiest issue with 16.60m shares changing hands. Other utilities fell slightly.

Large-capital stocks were neglected, with Nippon Kokan losing Y12 to Y245, Ishikawajima-Harima Heavy Industries Y16 to Y449 and Mitsubishi Heavy Industries Y10 to Y444.

The yen's weakness against the dollar prompted investors to purchase some blue-chips. Hitachi rose Y10 to Y1,110, Matsushita Electric Industrial Y40 to Y2,100 and Konshiroku Photo Y18 to Y665.

Some speculative issues fared well. Morinaga gained Y55 to Y765 on rumours that a speculative group was cornering its shares. Tobishima added Y27 to Y932 and Fujiko Y15 to Y457.

Some banking issues scored good gains on the ground that are undervalued compared with securities issues. Sumitomo Bank, active with 5.96m shares traded, advanced Y80 to Y2,430. Fuji Bank and the Industrial Bank of Japan gained Y30 and Y90 to Y1,790 and Y2,480, respectively.

Bond prices affected by the reports plunged on fear of a rekindling of inflation.

On the bond futures market, March contracts declined Y0.45 to Y103.85, slipping below Y104 for the first time since November 27. This triggered dealers' selling on the cash market.

The yield on the 5.1 per cent government bond, maturing in June 1996, rose to 5.370 per cent from last Friday's 5.305 per cent. Institutional investors retreated to the sidelines.

CANADA

THE COMBINED weakness of industrials and utilities pulled Toronto lower despite firmer gold and oil sectors.

Among industrials Campeau Corp shed C$¼ to C$22¼, Canadian Pacific traded down C$⅛ to C$17 and Federal Industries Class A gave up C$½ to C$16½.

Stronger energy related issues saw Imperial Oil Class A add C$1 to C$50 and Texaco Canada advance C$¾ to C$32¾.

Industrials and banks lost most ground in Montreal.

EUROPE

Paris stands out with rise to new peak

FRANCE was one of the few bright spots in Europe yesterday, with shares reaching a record high for the third consecutive trading day. The other major bourses ended lower in thin and colourless sessions.

Paris received its fresh boost from the slight rise in the November inflation figure and the heavy oversubscription of St Gobain's share offer. The CAC General index added 1.8 to 141.3 following its record 413.4 last Thursday and the record high of 164.2 reached by the Indicateur de Tendance on Friday.

Another stimulus was the Bank of France's lowering of its seven-day Treasury Bill discount rate to 8 per cent after lifting it a full percentage point to 8⅞ per cent last week to defend the franc.

In the printing sector, Presses de la Cité climbed FFr 203 to FFr 2,951 following Générale Occidentale's takeover.

Electronics saw Alcatel put on FFr 138 to FFr 2,558, a year's high, while Matra was up FFr 39 to FFr 2,455.

Oils did well on prospects of higher crude prices emerging from the current Opec talks and Elf Aquitaine added FFr 2 to FFr 320.

Frankfurt attracted little buying interest in very quiet trading as many investors wound down for Christmas. The Commerzbank index lost 17.5 to 2,033.6.

However, the retail sector showed good gains, lifted by reports of heavy demand in the stores in advance of next week's festivities. Karstadt added DM 15 to DM 481, Kaufhof DM 4.50 to DM 521.50 and Horten DM 6 to DM 240.

Banks, chemicals, electricals and cars all closed generally lower, while engineering issues saw KHD down DM 5.50 to DM 178.50 but MAN up DM 2 to DM 206.

Strong demand was reported for the first public share offering by Maho, the machine tool producer, forcing it to close several hours early, according to lead underwriter Deutsche Bank. Listing will begin on December 19.

Westdeutsche Landesbank Girozentrale said in its report that the direction taken by the Bundesbank on monetary policy would probably have a significant influence on German share prices over the next few weeks. WestLB also said many investors had bought shares expecting year-end demand but that many prices had already reached their highs and profit-taking could accelerate.

Bonds ended easier after a very quiet session, pulled down by Friday's fall on US credit markets. The Bundesbank bought DM 24.4m worth of paper after buying DM 31.1m on Friday.

Amsterdam also lacked any fresh factors to provide impetus and share prices closed generally down.

Among internationals, Philips lost Fl 2.20 to Fl 44.60 following press reports that the company's staff had been told the Netherlands was not a satisfactory profit area. However, Royal Dutch went against the general trend, adding 90 cents to Fl 211.70 on optimism about higher oil prices.

Zurich ended lower in very thin, dull trading as some investors closed their books for the year and others stood on the sidelines still waiting for Wall Street to pick up.

Brussels, too, was easier across the board in a quiet session. Steelmaker Arbed pursued its oscillations of last week, this time falling BFr 90 to BFr 1,830, although brokers could not explain the movements.

Milan followed the lower trend, although selective gains included Generali, up L2,300 to L126,000. IFI, whose chairman has vetoed a further modest privatisation of Mediobanca, added L260 to L26,750, while Mediobanca lost L5,700 to L228,700.

Stockholm, where trading was suspended in the shares of Fermenta and one of its key shareholders, Industrivärden, finished lower in a moderate session, partly reflecting a rise in interest rates. Trading was also halted in construction group Skanska, which later announced it was buying a stake in property firm JM Byggnads.

Oslo eased slightly but Madrid recorded strong gains in active trading.

SOUTH AFRICA

THE HIGHER BULLION price was translated into strong Johannesburg gold shares in quiet trading ahead of today's holiday.

Most gold issues firmed except those turning ex-dividend. Randfontein picked up R10 to R440 while Driefontein gained R2.25 to R70. Firmer platinums saw Rustenburg close 40 cents up at R47.15 after early losses while leading diamond group De Beers finished 60 cents higher at R35.10.

LONDON

HEAVY DEMAND for British Gas inspired early gains in London but sentiment soured slightly in line with the falls on Wall Street while the gilt market waited in vain for some signs of progress from the Opec meeting in Geneva.

The FT-SE 100 index finished 7.2 higher at 1,637.0 after an early gain of 11 points while the FT Ordinary dipped 0.1 to 1,280.3.

Foreign, notably Japanese, demand for British Gas prompted a 1p gain to 64½p on volume of 184m shares. BP also enjoyed steady buying with a gain of 23p to 711p on volume of 4.1m shares, while Shell Transport with 5.4m shares changing hands gained 23½p to 977½p.

Gilts proved disappointing with prices down a full point.

Chief price changes, Page 43; Details, Page 42; Share information service, Pages 40, 41.

SINGAPORE

THIN TRADING exacerbated declines among Singapore blue chips which pushed the Straits Times industrial index down 25.18 to 883.95. Turnover fell to 8.1m shares compared with 14.4m on Friday.

Sime Darby, most active with 895,000 shares traded, held steady at S$1.80 while NOL, also active, shed 1 cent to S$2.61.

OCBC gave up 5 cents to S$ 9 despite denials that it made an offer to acquire International Trust and Finance. Elsewhere Singapore Airlines was 10 cents off at S$9.15 and Cycle and Carriage dropped 13 cents to S$2.

AUSTRALIA

GOLD MINES and oils buoyed Sydney, offsetting weakness among media stocks. The All Ordinaries index edged 0.4 higher to 1,438.1.

Hopes of higher international bullion and crude oil prices underpinned sentiment which was also aided by the prospects of the Australian Government rejecting a proposed tax on gold mining.

HONG KONG

LATE AFTERNOON profit-taking eroded Hong Kong and trimmed 13.80 points off the Hang Seng index at 2,449.43. Turnover dipped to HK$748m from HK$1.1bn on Friday.

Some isolated support developed for property issues with Cheung Kong up 25 cents at HK$36.25 while Hang Lung Development rose 10 cents to HK$10.80.